

## Sri Venkata Sai Trading Company

March 10, 2025

| Facilities/Instruments    | Amount (₹ crore) | Rating <sup>1</sup>                      | Rating Action                                   |
|---------------------------|------------------|--|---|
| Long Term Bank Facilities | 20.00            | CARE B+; Stable; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sri Venkata Sai Trading Company (SVS) to monitor the rating vide e-mail communications dated December 02, 2024, to February 26, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Sri Venkata Sai Trading Company's bank facilities will now be denoted as CARE B+; Stable; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

Reaffirmation in the ratings assigned to bank facilities of Sri Venkata Sai Trading Company (SVS) is constrained by small scale of operations with thin profitability margins in FY24 (FY refers to the period April 01 to March 31), low net worth base, leveraged capital structure and weak debt coverage indicators, the constitution of the entity as a proprietorship firm with an inherent risk of withdrawal of capital, highly fragmented industry, exposed to price volatility and seasonality of raw material. The rating however derives comfort from an established track record and experienced proprietor, comfortable operating cycle and support from promoter in the form of unsecured loans as and when required.

**Analytical approach:** Standalone.

**Outlook:** Stable. CARE Ratings believes that the entity will continue to benefit from the extensive experience of proprietor and support in the form of unsecured loans.

### Detailed description of key rating drivers:

At the time of last rating on March 11, 2024, the following were the rating strengths and weaknesses (updated for the information available for FY24 audited financials).

### Key weaknesses

**Constitution of the entity being a proprietorship firm:** Sri Venkata Sai Trading Company (SVS) being a proprietorship firm has the inherent risk of the possibility of withdrawal of the capital. During FY20-FY22, the firm has continuously withdrawn funds. In FY23, there was no instance of capital withdrawal. However, the inherent risk of withdrawal of capital given the nature of constitution of the firm exists. Moreover, firms have restricted access to external borrowings as credit worthiness of the partners being the key factors affecting credit decision for the lenders.

**Small scale of operations with thin profitability margins and low net worth base:** The scale of operations of the firm improved but remain moderate at Rs.105.19 crores in FY24 against Rs. 89.27 crore in FY23. Inline with TOI, PBILDT levels of the company, slightly improved to 2.91 crores. The profitability margins of the firm continue to be thin given the low value-addition nature of the operation Further, due to an increase in interest expense as the firm's reliance in working capital increased and higher depreciation led by the addition of fixed assets, the PAT levels of the company remained at Rs. 0.80 crores.

Despite having long track record of operations, Net worth base of the firm improved but remains small at Rs. 3.39 crores (PYE: Rs.3.43 crore).

**Leveraged capital structure and weak debt coverage indicators:** The debt profile of the firm consists of vehicle loans, unsecured loans, and working capital borrowings. The overall gearing ratio of the firm deteriorated to 7.28x as on March 31, 2024 against 2.14x as on March 31, 2023, on account of increased reliance on working capital borrowings and unsecured loans. Further, TDGCA and interest coverage ratios stood weak.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Exposure to price volatility and seasonality of raw materials:** The firm is into the processing of chillies as the primary raw material. The profitability of the firm is vulnerable to fluctuations in raw material prices due to the commoditized nature of the business and the limited level of value addition. Furthermore, the agro-based commodities are seasonal and are available readily only for a few months in a year requiring adequate stocking levels of raw materials. The agro raw materials as required by the firm are commodities and their prices are linked to the demand-supply scenario, which in turn depends upon other external factors like rainfall and international prices, thereby exposing the firm profitability to changes in raw material prices.

**Presence in a highly fragmented and competitive agro-commodity industry:** Sri Venkata Sai Trading Company is in a competitive and highly fragmented agro-commodity industry which has a presence of large number of small and medium scale players. Further, the overall value addition in the trading industry is very low which translates into thin profitability. For exports, Firm also faces intense competition from large established players in the industry, who have global sourcing and customer base.

### Key strengths

**Long track record of operations with the experienced proprietor:** The firm is established in the year 2004. Hence, the firm has a long track record of operations of two decades in the industry. Mr. Narasimha Rao Bathini who is the proprietor of the firm had an experience of more than 3 decades in the business. During current fiscal, promoter infused funds in the form of unsecured loans to meet Working capital and repayment obligations which provide comfort from credit perspective.

**Comfortable operating cycle:** The raw materials are predominantly agro commodities which are seasonal and are available readily only for a few months in a year requiring adequate stocking levels of raw materials. The firm procures raw materials from traders located in Punjab, New Delhi, Andhra Pradesh, Rajasthan, Karnataka, Telangana etc., which offers a credit period ranging from 15-45 days. Furthermore, the firm extends credit period ranges from 45-60 days to its clientele. The operating cycle of the firm stood comfortable at 24 days in FY24.

### Liquidity: Stretched

The liquidity profile of the firm is stretched marked by tightly matched GCA against debt repayment obligation. The cash and bank balances stood at Rs.1.00 crore as on March 31, 2024. The average utilisation of the working capital lines stood high at about 90% during peak season. Further, promoter infused funds in the form of unsecured loans in FY24. The unutilised working capital limits and unsecured loans from promoter provide sufficient cushion to meet working capital requirements in the peak season.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-Financial Sector](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator    | Sector                     | Industry                           | Basic industry              |
|----------------------------|----------------------------|------------------------------------|-----------------------------|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Agricultural Food & other Products | Other Agricultural Products |

Telangana-based Sri Venkata Sai Trading was established in the year 2004 and promoted by Mr. Narsimha Bathina. The firm is engaged in the processing (stem cut) and trading of chillies. The procurement of chillies is from the local farmers.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income     | 89.27              | 105.19             |
| PBILDT                     | 2.56               | 2.91               |
| PAT                        | 0.72               | 0.80               |
| Overall gearing (times)    | 2.14               | 7.28               |
| Interest coverage (times)  | 1.91               | 1.95               |

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

| Name of the Instrument      | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook       |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|--|
| Fund-based - LT-Cash Credit |      | -                             | -               | -                          | 20.00                       | CARE B+; Stable; ISSUER NOT COOPERATING* |

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |  | Rating History                              |   |  |   |
|---------|--|-----------------|------------------------------|--|---|---|--|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating                                   | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023                    | Date(s) and Rating(s) assigned in 2021-2022 |
| 1       | Fund-based - LT-Cash Credit            | LT              | 20.00                        | CARE B+; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE B+; Stable (11-Mar-24)               | 1)CARE B+; Stable (27-Mar-23)<br>2)CARE B+; Stable (25-Apr-22) | -   |

\*Issuer did not cooperate; based on best available information.

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument      | Complexity Level |
|---------|-----------------------------|------------------|
| 1       | Fund-based - LT-Cash Credit | Simple           |

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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