

Laxmi Traders
February 20, 2019

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	10.00	CARE B-; Stable [Single B Minus; Outlook: Stable]	Revised from CARE B+; Stable [Single B Plus; Outlook: Stable]
Total Facilities	10.00 (Rs. Ten crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Laxmi Traders (LT) factors in the decline in scale of operations, deterioration in the solvency position and higher inventory period resulting in a stretched liquidity indicator as at the end of FY18 (refers to the period from April 1 to March 31). The rating further continues to be constrained on account of the low profitability, highly fragmented and competitive industry and proprietorship nature of constitution.

The rating, however, draws strength from the experienced proprietor, established relations with suppliers and customers and support from group with presence in related businesses.

Ability of the firm to increase its scale of operations along with improvement in profitability and efficient management of working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Small scale of operations with low profitability margin: Revenue of the firm decreased by 39.48% during FY18 and stood at Rs.31.65 crore. Moreover, the accretion to reserve was low leading to low net-worth thus restricting financial flexibility of the entity. The profit margins of the firm are low due to predominantly trading nature of operations. PBILDT margin increased in FY18, however remained low in the range of 4.07% - 6.94% in the last three years ended FY18. PAT margin of the firm has shown a fluctuating trend and has been in the range of 0.46%-0.32% in the last three years ended March 31, 2018.

Leveraged capital structure and weak debt coverage indicators: The relatively low net worth base of the firm led to increased reliance on external debt to support its business operations. The capital structure of the company stood leveraged as marked by debt to equity and overall gearing ratio of 9.27x and 19.21x as on March 31, 2018. Further, debt coverage indicators of the company are weak led by moderate profit margins and high dependence on external borrowings due to working capital intensive nature of business.

Working capital intensive nature of operations: The operations of the firm are working capital intensive in nature with gross current assets of 242 days with funds majorly blocked in inventory. The working capital requirements of the firm are met by the cash credit facility, the utilization of which remained high.

Highly fragmented and competitive industry: The competitive nature of agro-product processing industry due to low entry barriers, high fragmentation and the presence of a large number of players in the organized and unorganized sector translate in inherent thin profitability margins.

Constitution as a proprietorship firm limiting financial flexibility: LT, being a proprietorship concern, is closely held and is subject to limited disclosure norms. Further, owing to the constitution of the entity, it is exposed to the risk of withdrawal of capital as well as long-term existence of business operations under the entity.

Key Rating Strengths

Experienced proprietor: LT is currently managed by Mr. Ramanrao Bholla. He is well-versed with the intricacies of the business on the back of about two decades of experience in agro based industries through the associate concerns. He

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

looks after the overall function of the firm and is ably supported by a team of experienced professionals. Long experience of the proprietor has supported the business risk profile of the entity to a large extent.

Established relations with suppliers and customers: LT has long-standing relationship with its suppliers and customers due to the experience of the proprietor in the same segment. The clients have been associated with LT over the years. However, being in a highly competitive business, customer retention is a constant challenge for the entity.

Support from group with presence in related businesses: The firm belongs to a group of seven entities managed by Mr.Ramanrao Bholla and Mrs. Vijayalaxmi Bholla. Furthermore, LT benefits from the marketing and distribution network of its various group entities and extensive experience and established relations of its promoters.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Wholesale Trading Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

Nagpur based, LT, is a proprietorship concern promoted by Mr. Ramanarao Bholla and commenced operation in January, 2013. Since inception, the entity has been engaged in the trading of food grains i.e. rice, dal, chana, wheat etc. The traded goods are purchased from the farmers based in Nagpur and domestic suppliers situated at Andhra Pradesh, Tamil Nadu, and Karnataka. Further sells the same in the domestic market of Delhi, Haryana, Madhya Pradesh and Nagpur.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Income from Operations	52.30	31.65
PBILDT	1.46	2.19
PAT	0.16	0.10
Overall Gearing (Including Acceptances / Creditors on LC)	4.85	19.21
Interest Coverage (PBILDT / Interest)	1.14	1.05

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Analyst Contact:

Name: Amita Yadav

Tel: 020-40009012

Email: amita.yadav@careratings.com

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B-; Stable	-	1)CARE B+; Stable (05-Dec-17)	-	-

CONTACT**Head Office Mumbai****Ms. MeenalSikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms.RashmiNarvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. AnkurSachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. AnandJha**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, PashupatiAkshatHeights, Plot No. D-91,

Madho Singh Road, NearCollectorateCircle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. PritiAgarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr.Pratim Banerjee**

9th Floor, Pride KumarSenate,

Plot No. 970, Bhamburda, SenapatiBapat Road,

ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691