



SMERA RATINGS LIMITED

## Aries Foods &amp; Fruits (AFF)

Rating  
RationaleJanuary 15, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit Limit	5.00	SMERA A4 (Assigned)
Foreign Documentary Bill Purchase	1.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.6.00 crore bank facilities of Aries Foods & Fruits (AFF). The rating is constrained by the firm's modest operating scale in a highly fragmented and competitive industry. The rating is also constrained by the firm's exposure to foreign exchange fluctuation risk and customer concentration risk. The rating factors in risks related to the firm's working capital-intensive operations. However, the rating derives comfort from the firm's experienced management, healthy profitability and moderate financial risk profile.

AFF, established in 1980, is a Mohali proprietorship concern engaged in trading and export of morels (a variant of dried mushrooms). AFF's modest operating scale is reflected in revenues of Rs.19.91 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The firm operates in a highly fragmented and competitive industry. AFF's profit margins are susceptible to foreign exchange fluctuation risk, which is partially offset by speedy receipt of payments (within 15-20 days) from customers. AFF is exposed to high level of customer concentration as the firm derives ~80 per cent of its total revenues from a single customer. AFF's operations are working-capital intensive during the peak season (May to August) for cultivation and procurement of morels.

AFF benefits from its experienced management. Mr. B. M. Kapoor, proprietor AFF, has around three decades of experience in the firm's line of business. AFF reported healthy net profit margin of 5.83 per cent in FY2012-13. The firm's healthy financial risk profile is marked by low gearing (debt-to-capital ratio) of 0.06 times and moderate interest coverage ratio of 2.58 times in FY2012-13.

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### About the firm

AFF, established in 1980, is a Mohali proprietorship concern promoted by Mr. B. M. Kapoor. AFF is engaged in trading and export of morels (a variant of dried mushrooms). The firm caters to customers based in Switzerland and France.

For FY2013–14 (as per provisional financial statements), AFF reported profit after tax (PAT) of Rs.0.93 crore on net sales of Rs.19.91 crore, as compared with PAT of Rs.0.79 crore on net sales of Rs.13.05 crore for FY2012–13. The firm's net worth stood at Rs.4.60 crore (provisional) as on March 31, 2014, as compared with Rs.5.05 crore a year earlier.

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