



SMERA RATINGS LIMITED

Phoenix Overseas Limited

(POL)

*Rating
Rationale*

March 30, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.50	SMERA BB+/Stable (Assigned)
Export Packing Credit/ FBP	59.00	SMERA A4+(Assigned)
Letter of Credit/ Bank Guarantee	4.56	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Phoenix Overseas Limited (POL). The outlook is '**Stable**'. The ratings derive comfort from the company's diversified revenue stream, experienced management and established relations with customers. The ratings are also supported by the company's strong revenue growth and comfortable working capital cycle. However, the ratings are constrained by the company's exposure to geographical concentration risk. The ratings are also constrained by the company's low profit margin and moderate financial risk profile. The ratings note that the company faces intense competitive pressure.

POL, incorporated in 2002, is a Kolkata-based company engaged in trading of food grains and edible oil. POL also undertakes manufacturing and export of jute and cotton bags. The company benefits from its experienced management. Mr. Aparesh Nandi, promoter of POL, has 12 years of experience in the company's line of business. POL also benefits from its long-standing relations with customers. The company's operating income increased from Rs.665.27 crore in FY2013-14 to Rs.392.50 crore in FY2013-14. POL has a comfortable working capital cycle of 22 days in FY2013-14. The company's bank limit utilisation was moderate at ~66 per cent for the six months ended February 2015.

POL's sales are largely concentrated in Bangladesh. The company's operating profit margin is low at 2.39 per cent given the trading nature of the business. POL's moderate financial risk profile is reflected in debt-equity ratio of 2.60 times as on March 31, 2014 and interest coverage ratio of 1.60 times in FY2013-14. The company faces intense competition from several players in the agro food sector.

Outlook: Stable

SMERA believes POL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while achieving strong improvement in profit margins. The outlook may be revised to 'Negative' in case of decline in the company's operating margin, or in case of stretch in the company's working capital cycle.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the company

POL, incorporated in 2002, is a Kolkata-based company promoted by Mr. Aparesh Nandi. POL undertakes trading of food products and manufacturing of jute and cotton bags. The company also provides cold storage facilities and staffing services. POL exports food products to Bangladesh and Pakistan, while bags are largely exported to Europe.

For FY2013-14, POL reported profit after tax (PAT) of Rs.3.90 crore on operating income of Rs.665.27 crore, as compared with PAT of Rs.1.96 crore on operating income of Rs.392.50 crore in FY2012-13. The company's net worth stood at Rs.24.26 crore as on March 31, 2014, as compared with Rs.20.98 crore a year earlier.

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