



SMERA RATINGS LIMITED

Mahestala Agro Foods Private Limited (MAFPL)

Rating Rationale

March 30, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.50	SMERA BB-/Stable (Assigned)
Adhoc Cash Credit	2.00	SMERA BB-/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB- (read as SMERA double B minus)**' to the abovementioned facilities of Mahestala Agro Foods Private Limited (MAFPL). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management and association with 'Tanishq', a well known brand in jewellery business. Further, the ratings also factor in the moderate financial risk profile marked by modest debt protection matrices and liquidity position. However, the ratings are constrained by the small scale of operations, thin profit margins and working capital intensive operations. The ratings also note the susceptibility of profit margins to volatility in raw material prices and intense market competition.

Outlook: Stable

SMERA believes that MAFPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations
- Sustaining improvement in profitability
- Efficient working capital management

About the Company

MAFPL, incorporated in 2009 is a Kolkata-based company promoted by Kundu family. MAFPL is engaged in trading of gold and diamond-studded jewellery under a franchise agreement with Tanishq. The company has two showrooms under this agreement. The company also undertakes food distribution under Public Distribution System (PDS).

For FY2014-15, the company reported net loss of Rs.0.16 crore on total income of Rs.27.11 crore, as compared with net profit of Rs.0.29 crore on total income of Rs.16.69 crore in FY2013-14.

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*Rating
Rationale*

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