

## Press Release

### Padma Agro Impex

February 24, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 6.00 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 6.00 crore bank facilities of Padma Agro Impex. The outlook is '**Stable**'.

Padma Agro Impex (PAI), a Karnataka-based proprietorship concern was promoted by Mr. Vikas Jain. The firm is engaged in the processing of cashew.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoter, Mr Vikas Jain possesses 10 years of experience in cashew processing since one of the group companies, Sri Padma Cashew Industries is also engaged in the same line of business.

#### Weaknesses

- **Nascent stage of operations**

PAI commenced business in May 2016 and thus has limited track record of operations. The firm reported revenue of Rs.4.80 cr from May 2016 to November 2016.

- **Fluctuation in raw material cost**

Over 60 per cent of raw nuts required for processing are imported from Africa. The rating factors in fluctuations in the prices of raw cashew.

- **Intense competition**

The cashew processing business is highly fragmented with large number of organised and unorganised players and low entry barriers.

- **Moderate financial risk profile**

With nascent stage of operations, gearing (debt to equity ratio) is expected to be around 2 times as on March 31, 2017 and March 31, 2018. Further, the interest coverage is expected to be at a moderate level of ~1.65 times in FY2017 and FY2018.

- **Foreign exchange fluctuation risk**

The firm is exposed to foreign exchange fluctuation risk as it imports raw cashew. The profit margins are thus exposed to fluctuations in forex rates.

#### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

#### Outlook: Stable

SMERA believes that PAI will maintain a Stable outlook in the medium term and benefit from its

experienced management. The outlook may be revised to Positive if the firm scales up operations while maintaining effective working capital management. Conversely, the outlook may be revised to Negative if the financial risk profile deteriorates owing to higher than expected increase in working capital requirements.

#### About the Rated Entity - Key Financials

Padma Agro Impex (PAI), a Karnataka-based proprietorship concern commenced cashew processing in May 2016.

#### Status of non-cooperation with previous CRA (if applicable)

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable

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## ABOUT SMERA

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