

Press Release

Padma Agro Impex (PAI)

April 2, 2018



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 6.00 Crore
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer to Annexure

Rating Rationale

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

PAI, a Karnataka-based proprietorship firm is engaged in the processing of cashew kernels. Established by Mr. Vikas Jain in 2016, the firm procures raw cashews from West African countries including Tanzania, Cote d'Ivoire and Ghana. The graded kernels are sold to wholesale dealers in Maharashtra, Gujarat and Goa.

Key rating drivers

Strengths

Experienced promoters

The proprietor, Mr. Vikas Jain has experience of around a decade in the cashew business. SMERA believes that the extensive experience of the management will benefit the firm in the medium term.

Weaknesses

Initial stage of operations

PAI commenced operations from May 2016 and generated revenue of Rs. 9.59 crore in FY2017. Further, during the 11 months ended FY2018, PAI posted revenue of around Rs. 14 crore. SMERA believes that the firm's ability to scale up operations will remain the key rating sensitivity.

Weak financial risk profile

The weak financial risk profile is marked by low net worth of Rs. 0.06 crore as on 31 March, 2017. The total debt of Rs. 5.13 crore outstanding as on 31 March, 2017 includes working capital loan of Rs. 3.96 crore and term loan of Rs. 1.17 crore from the bank. The gearing stood at 88.78 times as on 31 March, 2017 on account of low capital infusion. The Interest Coverage Ratio stood at 1.59 times in FY2017. The Total Outside Liabilities to Total Net Worth (TOL/TN) stood high at 94.64 times as on 31 March, 2017.

Margins susceptible to fluctuations in raw material prices

Raw cashew nut, the major raw material is an agro product. While demand continues to exist throughout the year, availability of the same is seasonal with increase in prices during the

offseason. The revenue and profitability of the firm remains susceptible to fluctuations in the prices of raw material as also its availability.

Competitive and fragmented industry

PAI operates in a highly fragmented industry with limited entry barriers. The presence of large number of players in the unorganised sector limits the firm's bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PAI to arrive the rating.

Outlook - Stable

SMERA believes that PAI will maintain a 'Stable' outlook owing to the extensive experience of its promoters in the cashew industry. The outlook may be revised to 'Positive' with sustained growth in revenue and capital infusion leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing level.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.59	0.00	0.00
EBITDA	Rs. Cr.	0.69	0.00	0.00
PAT	Rs. Cr.	0.05	0.00	0.00
EBITDA Margin	(%)	7.22	0.00	0.00
PAT Margin	(%)	0.56	0.00	0.00
ROCE	(%)	18.34	0.00	0.00
Total Debt/Tangible Net Worth	Times	88.78	0.00	0.00
PBDIT/Interest	Times	1.59	0.00	0.00
Total Debt/PBDIT	Times	7.66	0.00	0.00
Gross Current Assets (Days)	Days	148	0.00	0.00

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

Note on complexity levels of the rated instruments-

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

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24 Feb, 2017	Cash Credit	Long Term	2.00	SMERA B (Assigned)
	Cash Credit	Long Term	2.00	SMERA B (Assigned)
	Term Loan	Long Term	1.00	SMERA B (Assigned)
	Proposed cash credit	Long Term	1.00	SMERA B (Assigned)

***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 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B (Reaffirmed)

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ABOUT SMERA

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