

February 18, 2014

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>2.00</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Letter of Credit/Buyers Credit</b>	<b>10.00</b>	<b>SMERA A4 (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA single B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.12.00 crore bank facilities of Parshvanath Overseas (PO). The outlook is 'Stable'. The ratings are constrained by firm's weak financial risk profile marked by low net worth and weak debt coverage indicators. The ratings are further constrained by the firm's exposure to geographic/customer concentration risk, foreign exchange currency risk, dependence on agro climatic conditions and import regulations. However, the rating is supported by experienced management. The ratings assigned are sensitive to working capital management.

PO, established in 2009, is a Nagpur-based proprietorship firm primarily engaged in trading of dry-fruits, mainly in-shell almonds and cashews.

PO's net worth is low at Rs.3.65 crore as on March 31, 2013. The firm's overall leverage is high at 3.53 times as on March 31, 2013. Further, the firm's interest coverage ratio is weak at 1.10 times in FY2012-13. PO generates its revenues by selling dry fruits to its sister concerns, located in Nagpur, which accounts for ~81 per cent in FY 2012 and ~89 per cent in FY 2013. The firm is also susceptible to foreign exchange currency fluctuation risk as it majorly imports its dry fruits from various sources including USA and Africa. The ratings also factor PO's exposure to climatic risk and regulatory risk. PO is a part of Nakodas group of Nagpur, which was established in the year 1989 by Choudhary family. The ratings positively consider the management experience of more than two decades in related line of food processing business.

### **Outlook: Stable**

SMERA believes the outlook for PO will remain 'Stable' over medium term owing to continuous increase in volumes and its experienced management. The outlook may be revised to 'Positive' if PO is able to scale up the operations with improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the capital structure or further weakening of operating margins.

### **About the company**

PO, established in 2009, is a Nagpur-based proprietorship firm. The firm is primarily engaged in trading of dry-fruits mainly in-shell almonds and in-shell cashews. The firm imports dry fruits and sells to its sister concerns as well as in domestic market.

For FY2012-13, PO reported PAT of Rs.0.08 crore on operating income of Rs.20.12 crore, as compared with PAT of Rs.0.05 crore on operating income of Rs.13.78 crore for FY2011-12. The firm registered revenues of Rs.20.10 crore as on March 31, 2013. PO's net worth stood at Rs.3.65 crore as on March 31, 2013, as compared with Rs.1.81 crore as on March 31, 2012.

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