

Press Release

PARSHVANATH OVERSEAS

July 16, 2018



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE BB-)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to „**ACUITE BB**“ (read as **ACUITE double B**) from „**ACUITE BB-**“ (read as **ACUITE double B minus**) and reaffirmed short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 crore bank facilities of Parshvanath Overseas (PO). The outlook is '**Stable**'.

The upgrade reflects improvement in the group business and financial risk profile with higher than expected growth in revenues during FY2018 (Provisional).

Parshvanath Overseas, established in 2009, is a Nagpur-based proprietorship firm promoted by Mr. Jayesh Choudhary. The firm imports in-shell almonds and cashew nuts and other agro products and sells the same to group entities and in domestic market for processing.

About the Group

The Nakoda group was established in 1989 by Mr. Choudhary and family, led by Mr. Pravin Choudhary and is also based out of Nagpur (Maharashtra). The group is managing five entities viz. Nakoda Group of Industries Limited (NGIL), Nakoda Fruit Products Private Limited (NFPPL), Parshvanath Overseas (PO), Parshva Food International (PFI) and Nakoda Agro Commodities Private Limited (NACPL). Incorporated in 2013, Nakoda group is engaged in manufacturing of tutti fruity (Diced Chelory) also called as 'Papaya Preserve' and canned fruit cubes which comes under the category of bakery products. The group is also engaged in processing of almonds which are imported from California and other Middle East countries by the traders in Maharashtra. Other business also includes trading of sesame seeds, clove, cutpeel murabba, karonda, daalchini and toor daal.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The Nakoda group is in existence since 1989 in agro and food processing sector. The group has established track record of about three decades in same line of business and has developed market for its products by establishing good relations with various reputed customers. The Nakoda group is currently being jointly managed by the Choudhary family. The promoter of the group, Mr. Pravin Choudhary has over three decade of experience in business management in Agro and food processing sector. Mr. Jayesh Choudhary is the third generation entrepreneur, who has about a decade experience in the food processing sector. Further, the group has established its network all over India and has foreign presence in London, Malaysia, Dubai, and Saudi Arab among others.

- **Reputed clients**

The established track record and strong marketing effort has helped the group to maintain healthy relationships with clients. The group's customer base includes reputed ice cream and namkeen manufacturing companies like Havmor, Amul, Haldiram and Vadilal to name a few. It also supplies processed cashew and almonds to Britannia Industries Limited, Parle Company, and ITC Limited among others. The group has long-standing relationship of more than one decade with these players and has been able to get repeat orders from these clients.

- **Moderate Financial risk profile**

The financial risk profile of the group is marked by tangible net worth of Rs.32.14 crore as on 31 March, 2018 (Provisional) which includes unsecured loans from promoters of Rs.8.82 crore as compared to Rs.23.40 crore which includes unsecured loans from promoters of Rs.3.03 crore as on 31 March, 2017. The gearing (debt-equity) stood at 1.86 times as on 31 March, 2018 (Provisional) and 2.05 times as on 31 March, 2017. The interest coverage ratio stood moderate at 1.83 times in FY2018 (Provisional) and 1.64 times in FY2017. The Debt Service Coverage Ratio (DSCR) stood at 1.52 times in FY2018 (Provisional).

Weaknesses

- **Modest working capital cycle**

The operations stood modest marked by high Gross Current Assets (GCA) of 191 days in FY2018 (Provisional) and 225 days in FY2017. The GCA days is marked by high inventory days of 139 in FY2018 (Provisional) and 142 days in FY2017 due to seasonal procurement of raw materials. Further, the working capital facilities viz. cash credit facility of the group was utilized at about 92.65 percent on an average for last six months ending May2018.

- **Vulnerability to fluctuations in prices of raw materials and foreign exchange risk**

The margins of the group are exposed to the volatility in the prices of raw materials as prices vary during and after the procurement season. The group also exports most of their products to international market which exposes to the risk of foreign exchange fluctuations. However, both risks are mitigated to certain level as the company procures major raw material during the season and also imports some products like dry fruits and fruits from foreign countries resulting in natural hedge.

- **Highly competitive nature of industry**

The group faces competition from presence of large number of players in agro and food processing industries. In organised sector, it faces competition from many established players in domestic as well as international market. Presence of large number of players directly impacts the bargaining power and profitability of the group.

Analytical Approach

Acuité has consolidated business and financial risk profiles of Nakoda Group of Industries Limited (NGIL), Nakoda Fruit Products Private Limited (NFPPL), Parshva Food International (PFI), Parshvanath Overseas (PO) and Nakoda Agro Commodities Private Limited (NACPL) referred as "Nakoda Group". This is because the group and sister entities have a common management, similar line of business and have significant financial and operational linkages.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the experienced management and long established relationship with its customers. The outlook may be revised to 'Positive' in case of significant improvement in the working capital cycle while improving revenues and sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital cycle leading to stretch in liquidity and impacting margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	147.60	104.54	59.97
EBITDA	Rs. Cr.	9.11	6.45	3.16
PAT	Rs. Cr.	2.99	1.88	1.18
EBITDA Margin	(%)	6.18	6.17	5.27
PAT Margin	(%)	2.03	1.80	1.97
ROCE	(%)	10.27	10.69	7.61
Total Debt/Tangible Net Worth	Times	1.86	2.05	1.98
PBDIT/Interest	Times	1.83	1.64	1.90
Total Debt/PBDIT	Times	6.43	6.95	9.13
Gross Current Assets (Days)	Days	191	225	313

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Feb-2018	Cash Credit	Long Term	2.00*	ACUITE BB- Issuer not cooperating
	Letter of Credit	Short Term	15.00*	ACUITE A4+ Issuer not cooperating
17-Nov-2016	Cash Credit	Long Term	2.00*	ACUITE BB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00*	ACUITE A4+ (Reaffirmed)
27-Nov-2015	Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Upgraded)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Upgraded)

*Maximum utilisation of Rs.15.00 crore between Cash Credit and Letter of Credit

***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*	ACUITE BB / Stable (Upgraded from ACUITE BB-)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00*	ACUITE A4+ (Reaffirmed)

*Maximum utilisation of Rs. 15.00 crore between Cash Credit and Letter of Credit

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About Acuité Ratings & Research:

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