



SMERA RATINGS LIMITED

Mulji Devshi & Company (MDC)**Rating
Rationale****June 16, 2014**

Facilities	Amount (Rs. Crore)	Rating
Foreign Discount Bill Purchase/Foreign Usance Discount Bill Purchase*	16.25	SMERA A4 (Assigned)
Letter of Credit#	3.00	SMERA A4 (Assigned)
Letter of Guarantee	0.75	SMERA A4 (Assigned)

**Includes sublimit of Foreign Discount Bill Purchase/Foreign Usance Discount Bill Purchase (merchant trade) to the extent of Rs.3.00 crore and sublimit of Packing Credit/Packing Credit in Foreign Currency to the extent of Rs.9.00 crore*

#Fully interchangeable with Buyer's Credit

SMERA has assigned a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Mulji Devshi & Company (MDC). The rating is constrained by the firm's stagnant revenues and low profitability. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in commodity prices and fluctuations in foreign exchange rates amidst intense competition in the commodity trading industry. The rating factors in risks associated with the firm's weak financial risk profile. However, the rating derives support from the firm's long track record of operations.

MDC, established in 1915, is a Mumbai-based partnership firm engaged in trading and export of various agricultural commodities, including oil seeds, pulses, raw cotton and food grains. MDC's revenues have remained stagnant at ~Rs.80 crore during FY2010-11 (refers to financial year, April 01 to March 31) to FY2012-13. Moreover, the firm's revenues are expected to remain stagnant in FY2013-14 on account of lower-than-expected yield of oil seeds (resulting from unfavourable climatic conditions). MDC's net profit margin is low at 1.06 per cent in FY2012-13. Moreover, the firm's net profit of Rs.0.88 crore (in FY2012-13) is largely supported by non-operating income of Rs.0.46 crore. MDC's profit margins are highly susceptible to volatility in prices of agricultural commodities. The firm is also exposed to foreign exchange fluctuation risk. MDC faces intense competition from several players in the unorganized sector of the commodity trading industry. The firm's weak financial risk profile is marked by high leverage (debt-to-capital ratio) of 5.11 times as on March 31, 2013 and low interest coverage ratio of 1.64 times in FY2012-13. Moreover, MDC's net worth declined from Rs.3.80 crore in FY2011-12 to Rs.2.12 crore in FY2012-13 due to withdrawal of capital.

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About the firm

MDC, established in 1915, is a Mumbai-based partnership firm managed by Mr. Kaushal P. Chheda, Mrs. Vasanti P. Chheda and Ms. Girisha N. Vira (third generation entrepreneurs). MDC is a recognized export house engaged in trading and export of agricultural commodities. The firm holds membership of the Indian Oilseeds Produce & Exporters Association (IOPEA), Federation of Indian Export Organisation (FIEO), Bombay Commodity Exchange and Federation of Oils, Seeds & Fats Association (FOSFA, United Kingdom).

For FY2012-13, MDC reported profit after tax (PAT) of Rs.0.88 crore on total operating income of Rs.82.75 crore, as compared with PAT of Rs.0.42 crore on total operating income of Rs.87.37 crore for FY2011-12. As per provisional financial statements, the firm registered PAT of Rs.0.83 crore on revenues of Rs.84.34 crore in FY2013-14. MDC's net worth stood at Rs.2.98 crore (provisional) as on March 31, 2014, as compared with Rs.2.12 crore a year earlier.

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