

### Parshva Food International:Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB-/Stable (Reaffirmed)
Term Loan	0.61	SMERA BB-/Stable (Reaffirmed)
Letter of Credit	4.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the abovementioned bank facilities of Parshva Food International (PFI). The outlook is '**Stable**'.

The ratings continue to draw comfort from the groups' experienced management. However, the ratings factor in risks related to the group's working capital-intensive operations and exposure to foreign exchange fluctuation risk.

To arrive at the rating, SMERA has consolidated the business and financial risk profiles of PFI, Parshvanath Overseas, Nakoda Group of Industries Private Limited (erstwhile Navkar Processors) and Nakoda Agro Commodities Private Limited, together referred to as the 'Nakodas Group'. The consolidation is in view of the common ownership, similarity in the business models and strong operational linkages within the group.

#### Update

The Nakodas group reported net profit of Rs.1.72 crore on operating income of Rs.59.04 crore in FY2015-16, as compared with net profit of Rs.2.80 crore on operating income of Rs.49.41 crore in the previous year.

The group's financial risk profile is moderate with gearing at 1.87 times as on March 31, 2016 as compared to 1.74 times as on March 31, 2015. The group's total debt of Rs.29.20 crore (as on March 31, 2015) mainly comprises short term working capital limits. The group's interest coverage ratio stands moderate at 2.28 times for FY2015-16.

The group imports in-shell cashews and hence is exposed to foreign exchange fluctuation risk. The profit margins of the group declined to ~6.74 per cent in FY2015-16 from 8.62 per cent in FY2014-15. This is largely due to increase in selling and distribution expenses as the group has set up three stores in Nagpur for exclusive sale of dry fruits. Further, the exports have increased which has resulted in higher freight expenses.

#### Rating Sensitivity Factors

- Scaling up of operations while maintaining margins
- Effective working capital management

#### Outlook-Stable

SMERA believes that PFI will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially while maintaining operating profitability and registering improvement in coverage indicators. Conversely, the outlook may be revised to 'Negative' with the weakening of operating margins or deteriorating financial risk profile owing to higher-than-expected increase in debt-funded working capital requirements.

### Criteria applied to arrive at the rating:

- Manufacturing Entities
- Consolidation

### About the Group

The Nagpur-based Nakodas Group comprises four entities - PFI, Parshvanath Overseas, Navkar Processors and Nakoda Agro Commodities Private Limited. The group is engaged in the trading and processing of dry fruits (cashews and almonds) and manufacturing of candied fruit cubes as also sweet pickle (murabba).

Parshvanath Overseas imports in-shell almonds and cashew nuts that are sold to other group entities. For FY2015-16, the Nakodas Group reported net profit of Rs.1.72 crore on operating income of Rs.59.04 crore, as compared with net profit of Rs.2.80 crore on operating income of Rs.49.41 crore for FY2014-15.

### About the Firm

Promoted by Ms. Manju Pravin Choudhary, PFI, established in 2009, is a Nagpur-based proprietorship firm engaged in the processing of cashew nuts and manufacturing of candied fruit cubes.

For FY2015-16, PFI reported net profit of Rs.0.66 crore on operating income of Rs.19.16 crore, as compared with net profit of Rs.0.60 crore on operating income of Rs.17.47 crore for FY2014-15.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
27 Nov, 2015	Cash Credit	5.00*	SMERA BB- (Upgraded from SMERA B+)	-	Stable
	Term Loan	0.61	SMERA BB- (Upgraded from SMERA B+)	-	Stable
	Letter of Credit/Buyer's Credit	4.00	-	SMERA A4+ (Upgraded from SMERA A4)	-
18 July, 2014	Cash Credit	5.00*	SMERA B+ (Assigned)	-	Stable
	Term Loan	0.61	SMERA B+ (Assigned)	-	Stable
	Letter of Credit	4.00	-	SMERA A4 (Assigned)	-

\*Includes EPC/PCFC as a sublimit to the extent of Rs.5.00 crore

\*Includes FBN/FBP/FBD as a sublimit to the extent of Rs.5.00 crore

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