

May 02, 2014

CARE ASSIGNS 'CARE B+' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF MADHU OVERSEAS

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	3	CARE B+ (Single B Plus)	Assigned
Short-term Bank Facilities	9	CARE A4 (A Four)	Assigned
Total Facilities	12		

The ratings assigned by CARE are based on the capital deployed by the proprietor and the financial strength of the firm at present. The ratings may undergo a change in case of withdrawal of the capital or the unsecured loans brought by the proprietor in addition to the financial performance and other relevant factors.

Rating Rationale

The ratings assigned to the bank facilities of Madhu Overseas (MOS) are primarily constrained by the small scale of operations, weak financial risk profile marked by low profitability margins, leveraged capital structure and weak debt service coverage indicators. The ratings are further constrained by high level of competition from the organized and unorganized players and constitution of the entity as a proprietorship firm. These rating constraints are partially offset by the experienced promoters and comfortable operating cycle.

Going forward, the ability of MOS to increase its scale of operations along with an improvement in profitability margins and capital structure shall be the key rating sensitivities.

Background

Delhi-based Madhu Overseas (MOS) was established in 2006 as a partnership firm with Mr Kuldeep Maan, Mr Vikas Garg, Mr Ashok Kumar and Mr Rama Nand Sharma as partners. In December 2012, Mr Vikas Garg, Mr Ashok Kumar and Mr Rama Nand Sharma retired from the business and the entity was converted into a proprietorship firm. The firm is engaged in the trading of PVC products, plywoods and laminates and door skins (furniture-related products) used for manufacturing of furniture.

The firm sells these products to wholesalers and furniture manufacturers domestically. MOS purchases products from plywood and door skins manufacturers located in the country and also imports from countries like China, Turkey and Germany etc. Imports constituted around 40% of the total purchases in FY13 (refers to the period April 1 to March 31).

The firm achieved a total operating income of Rs.40.23 crore with PAT of Rs.0.16 crore in FY13. Moreover, the firm achieved a total operating income of Rs.40 crore in 11MFY14.

¹Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications

Analyst Contact

Name: Achin Nirwani

Tel: 011- 45333228

Email: achin.nirwani@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The rating assigned by CARE is based on the capital deployed by the proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the proprietor in addition to the financial performance and other relevant factors

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra
Managing Director
Mobile : +91-98204 16002
E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President –Bank Loan &
Instrument Rating
Mobile: +91-9819009839
mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President – Banks & Financial
Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | Ms. Priti Agarwal | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 | E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | Mr. V Pradeep Kumar | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | Mr. Mehul Pandya | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | Ms. Swati Agrawal | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | Mr. Dinesh Sharma | Cell: +91 9900041975| Tel: +91-80-41150445 |41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | Mr. Saikat Roy | Tel: +91-40-40102030 | E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | Mr. Rahul Patni | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 | E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR| Mr. Rahul Jain | Cell: +91-9314921496| Tel: +91-0141-4020213/14 | E-mail: rahul.jain@careratings.com |304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.