



SMERA RATINGS LIMITED

# Amma Cashew Factory (ACF)

## Rating Rationale

**August 03, 2015**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+** (read as **SMERA B plus**)' to the Rs.6.00 crore long-term (fund based) bank facility of Amma Cashew Factory (ACF). The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations in a highly competitive and fragmented segment of the cashew processing industry and stretched liquidity profile. However, the rating is supported by the established track record of operations, experienced management and moderate financial risk profile.

ACF, established in 2004, is a Kerala-based proprietorship firm engaged in the cashew processing business. The firm's small scale of operations is reflected in the revenues of Rs.21.40 crore (provisional) in FY2014-15 (refers to financial year April 01 to March 31) as compared to Rs.18.18 crore in FY2013-14. The firm faces intense competition from other industry players and has a stretched liquidity profile marked by working capital cycle of ~157 days (provisional) in FY2015. The utilisation of working capital has been high at 90 per cent from January to June 2015.

ACF benefits from its experienced management. Mr. Jayaprakash, the proprietor, has more than a decades experience in the firm's line of business. The firm's moderate financial risk profile is marked by high gearing (debt-to-capital ratio) of 2.60 times (provisional) as on March 31, 2015 and low interest coverage ratio of 1.54 times (provisional) in FY2014-15.

### **Outlook: Stable**

SMERA believes the outlook on ACF's rated facilities will remain stable over the medium term on account of the firm's experienced management. The outlook may be revised to 'Positive' if the firm achieves sustained growth in revenues and registers improvement in the capital structure. Conversely, the outlook maybe revised to 'Negative' in case of deterioration of capital structure and profit margins.

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### About the Company

ACF, established in 2004, is a Kerala-based proprietorship firm engaged in the cashew processing business. The firm is headed by Mr. Jayaprakash, the proprietor, who possesses more than a decades experience in the business.

For FY2014–15, ACF reported profit after tax of Rs.0.45 crore on net sales of Rs.21.40 crore (provisional) as on March 31, 2015, as compared with profit after tax of Rs.0.29 crore on net sales of Rs.18.18 crore in FY2013–14. The company's net worth stood at Rs.2.70 crore as on March 31, 2015.

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