

Press Release

A.K.M Cashews (AKMC)

09 February, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.11.00 Cr (enhanced from Rs.9.00 Cr)
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the abovementioned bank facilities of A.K.M Cashews (AKMC). The outlook continues to remain '**Stable**'.

AKM Cashews was established in 2006 by Mr. Shamla Nizamudeen. The firm is engaged in the trading and processing of raw cashews.

List of key rating drivers and their detailed description

Strengths:

Experienced management and healthy relationship with business partners: The proprietor, Mr. Shamla Nizamudeen, possesses experience of over a decade in the cashew processing business. The firm has long term relations with customers and suppliers.

Moderate financial risk profile: The financial risk profile is marked by moderate profitability at 0.63 per cent as on 31 March, 2016 against 2.04 per cent in 31 March, 2015. Moreover, the interest coverage ratio stood moderate at 1.49 times in FY2015-16 against 2.57 times in FY2014-15. The operating margin stood at 3.87 per cent in FY2015-16 against 5.70 per cent in FY2014-15. The firm has moderate operating income of Rs.57.76 crore in FY2015-16, a decline from Rs.67.20 crore in FY2014-15.

Weaknesses:

Fluctuation in cashew prices: The firm experienced muted product offtake on account of substantial volatility in cashew prices over the previous financial year. However, the ratings are constrained by the susceptibility of profit margins to fluctuations in raw material prices.

Intense competition: The cashew processing business is highly fragmented with large number of organised and unorganised players.

Working capital intensive operations: The operations are highly working capital intensive evident from the increased GCA days of 126 in FY2015-16 as against 99 in FY2014-15 owing to the increase in inventory days.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that AKM Cashews will maintain a stable outlook in the medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenue while maintaining debt protection metrics and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the capital structure or lengthening of working capital cycle.

About the Rated Entity

The Kerala-based AKM Cashews established in 2006 is a proprietorship firm engaged in the trading and processing of raw cashew nuts. The firm is headed by Mr. Shamla Nizamudeen, who possesses experience of over a decade in the business. Cashew nut processing generates 80 per cent revenue with the balance coming from trading. The installed capacity stands at 20 metric tons per day.

For FY2015-16, AKM Cashews reported net profit of Rs.0.37 crore on operating income of Rs.57.76 crore, as compared with net profit of Rs.1.37 crore on operating income of Rs.67.20 crore in FY2015-16. The net worth stood at Rs.3.73 crore as on 31 March, 2016 as against Rs.3.60 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2017			FY2016		FY 2015		FY 2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	11.00 (enhanced from Rs. 9.00 Cr)	SMERA BB- /Stable (Reaffirmed)	20 Oct, 2015	SMERA BB- /Stable (Assigned)	-	-	-	-

*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	N.A	N.A	N.A	11.00 (enhanced from Rs. 9.00 Cr)	SMERA BB-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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