

Press Release

Ashirvad Agro Processors (AAP)

23 March, 2018

Rating Upgraded



| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 9.00 Cr. |
| Long Term Rating | SMERA BB- /Stable (Upgraded from SMERA B+ /Stable) |

**Refer annexure for details*

SMERA has upgraded the long term rating to **'SMERA BB-' (read as SMERA double B minus)** from **'SMERA B+' (read as SMERA B plus)** on the Rs. 9.00 cr. bank facilities of Ashirvad Agro Processors (AAP). The outlook is **'Stable'**.

The upgrade is in view of significant growth in revenues as well as profitability margins of the firm. SMERA believes that the firm will sustain the growth in revenues and profitability margins over the medium term.

Ashirvad Agro Processors was established as a proprietorship firm in Mangalore, by Mr. K.SridharNayak in 2000. The firm is engaged in processing of Cashew Kernels. The Firm imports its raw material from countries like Tanzania, cote d'Ivoire and Ghana, to name a few.

Key rating drivers

Strengths

Established track record of operations

Ashirvad Agro Processors was established as a proprietorship firm by Mr. K.SridharNayak in 2000. Therefore, the firm has an operational track record of 16 years.

Healthy revenue growth

The company registered healthy revenue growth at a compounded annual growth rate (CAGR) of 93 per cent in the last three years ended FY2017. The operating income stood at Rs. 77.59 crore in FY2017 as against Rs. 46.88 crore in FY2016 and Rs. 10.75 crore in FY2015. The significant growth in revenue is due to stabilization of operations and addition of new customers. Further AAP's distribution channel includes wholesalers and other intermediaries.

Further, the firm has reported operating income of Rs. 45.00 crore for the period April, 2017 to November, 2017.

Stable profit margin

AAP's EBITDA margin remained stable and stood at 2.93 per cent in FY 2017 as against 2.87 per cent in FY 2016. PAT margin stood at 1.70 per cent in FY 2017 as compared to 1.58 per cent in FY 2016.

Comfortable working capital cycle

The firm's working capital cycle remained comfortable at 35 days in FY2017. The Gross Current Assetdays stood (GCA) at 57 days in FY2017. Further, cash credit utilization for the past six months stood at 80 percent.

Weaknesses

Average financial risk profile with Comfortable working capital cycle

AAP has an average financial risk profile marked by low networth of Rs.2.08 crore as on March 31, 2017 as against Rs.1.70 crore as on March 31, 2016. The gearing stood at 4.20 times as on March 31, 2017 as against 3.67 times as on March 31, 2017 on account of low net worth position. Interest Coverage ratio stood at 2.53 times in FY2017 as against 2.46 times in FY2016. The total debt of Rs. 8.75 crore as on March 31, 2017 majorly comprises of cash credit facility of Rs. 8.62 crore. The Tangible Net worth includes unsecured loans of Rs.0.20crore which are subordinated to bank debt and hence treated as quasi equity.

Margins susceptible to raw material price fluctuation

AAP's major raw material is raw cashew nut. Being an agro product, its availability is seasonal with an increase in prices in the offseason, given the demand for cashews throughout the year. The revenues and profitability of the firm remain susceptible to fluctuations in the prices of raw material and the availability of its raw material.

Competitive and fragmented industry

AAP operates in a highly fragmented industry with limited entry barriers. The presence of large number of players in the unorganized sector limits the firm's bargaining power with customers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of AAP to arrive at the rating.

Outlook – Stable

SMERA believes that AAP will maintain a stable business risk profile in the medium term backed by its promoters' extensive experience. The outlook may be revised to 'Positive' if the company registers significant growth in revenue while improving profitability and net cash accruals. Conversely, the outlook may be revised to 'Negative' if group's revenue and profitability decline or if its financial risk profile weakens, most likely because of a stretch in its working capital cycle or large debt-funded capital expenditure.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 77.59 | 46.88 | 10.75 |
| EBITDA | Rs. Cr. | 2.28 | 1.35 | 0.59 |
| PAT | Rs. Cr. | 1.32 | 0.74 | 0.21 |
| EBITDA Margin | (%) | 2.93 | 2.87 | 5.46 |
| PAT Margin | (%) | 1.70 | 1.58 | 1.96 |
| ROCE | (%) | 1.78 | 1.71 | 2.33 |
| Total Debt/Tangible Net Worth | Times | 5.14 | 3.70 | 3.07 |
| PBDIT/Interest | Times | 2.53 | 2.46 | 1.74 |
| Total Debt/PBDIT | Times | 2.30 | 2.46 | 1.74 |
| Gross Current Assets (Days) | Days | 57 | 58 | 112 |

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|------------------------------|
| 18-Nov-2016 | Cash Credit | Long Term | 9.00 | SMERA B+ / 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 | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA BB-/ Stable (Upgraded) |
|-------------|----------------|----------------|----------------|------|------------------------------|

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ABOUT SMERA

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