

Press Release

Sri Padma Cashew Industries (SPCI)

02 February, 2017

Rating Assigned

Total Bank Facilities Rated	Rs.6.00 Cr*
Long Term Rating	SMERA B/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) to the above mentioned bank facilities of Sri Padma Cashew Industries (SPCI). The outlook is '**Stable**'.

Sri Padma Cashew Industries, a proprietorship concern is engaged in the processing of cashew kernels.

List of key rating drivers and their detailed description

Strength:

Long track record of operations and experienced management: The firm, established in 2008, is headed by Mrs Sulochana Jevander (Proprietrix), who possesses experience of eight years in the said line of business.

Weaknesses:

Moderate revenue growth and small scale of operations: The scale of operations is modest with operating income of Rs.8.09 crore in FY2015-16. However, the revenue increased from Rs.2.63 crore in FY2013-14 to Rs.8.09 crore in FY2015-16.

Below average financial risk profile: The below average financial risk profile is marked by moderate interest coverage ratio of 1.54 times in FY2016 and high gearing of 3.74 times as on 31 March, 2016.

Declining PAT margin: The PAT margin declined from 2.83 per cent in FY2014 to 0.50 per cent in FY2016. The EBITDA margin is uneven and stood at 6.05 per cent in FY2016, 5.35 per cent in FY2015 and 8.61 per cent in FY2014.

Working capital intensive operations: The operations are working capital intensive on account of high inventory days. As informed by the banker, the firm utilises 100 per cent of its working capital limit.

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

Applicable Criteria

- Manufacturing Entities: <https://www.smerra.in/criteria-manufacturing.htm>
- Application of financial ratio and adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SPCI will maintain a 'Stable' outlook in the medium term owing to its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving operating profitability. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

About the Rated Entity

SPCI was established as a proprietorship concern by Mrs Sulochana Jevander. The firm is engaged in the processing of cashew kernels. It purchases raw material from the local market and also imports from Dubai, West Africa, Indonesia etc. The company has an integrated processing plant located in Belthangadi, Karnataka with an installed capacity of 80 tons per month.

For FY2015-16, SPCI reported net profit of Rs.0.04 crore on operating income of Rs.8.09 crore, as compared with profit after tax of Rs.0.08 crore on operating income of Rs.5.96 crore in FY2014-15

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.50	SMERA B /Stable (Assigned)	-	-	-	-	-	-
Pledge Loan	LT	2.00	SMERA B /Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.50	SMERA B /Stable (Assigned)	-	-	-	-	-	-
Proposed Enhancement for Cash Credit	LT	1.00	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	NA	NA	NA	2.50	SMERA B/Stable (Assigned)
Pledge Loan	NA	NA	NA	2.00	SMERA B/Stable (Assigned)
Term Loan	NA	NA	June, 2019	0.50	SMERA B/Stable (Assigned)
Proposed Enhancement for Cash Credit	NA	NA	NA	1.00	SMERA B/Stable (Assigned)

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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