

Press Release

Sri Padma Cashew Industries (SPCI)

04 April, 2018



Rating Reaffirmed

Total Bank Facilities Rated	Rs.6.00 crore
Long Term Rating	SMERA B/ Stable (Reaffirmed)

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B** (read as SMERA B)' on the Rs.6.00 crores bank facilities of Sri Padma Cashew Industries (SPCI) . The outlook is '**Stable**'.

SPCI is 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, South Africa, Indonesia, Tanzania, etc. The firm has an integrated processing plant located in Belthangady, Karnataka with an installed capacity of 50 bags per day with aggregate capacity of 4000 kilograms.

Key rating drivers

Strengths

Experienced management & Long track of operation

The firm, established in 2008, is headed by Mrs. Sulochana Jevander (Proprietor), who possesses experience of approximately a decade in this line of business. SMERA believes that the long track record of operations and extensive experience of the management have helped the firm maintain long term relations with customers and suppliers.

Weaknesses

Modest scale of operations; albeit steady growth in revenues

Revenues of the firm grew at a (Compounded Annual Growth Rate) CAGR of 44.67 percent from Rs. 2.63 crore in FY14 to Rs.11.52 crore in FY17. The firm procures raw cashews from Dubai, South Africa, Indonesia, Tanzania, etc. through agents in India and sells graded kernels to customers in Maharashtra, Gujarat, Goa among other states. It has a diversified customer base eliminating the risk of customer concentration. Operating margins and net profit margins stood at 5.82 percent and 0.51 percent respectively in FY2017.

Below average financial risk profile

The firm has weak financial risk profile marked by low net worth of Rs. 1.21 crore as on 31 March, 2017. The total debt of Rs. 5.18 crore outstanding as on 31 March, 2017, mainly includes working capital loan of Rs. 4.56 crore and term loans of Rs. 0.62 crore from the bank. The gearing stood high at 4.29 times as on 31 March, 2017 as compared to 3.74 times in the previous year. The reason being high reliance on external funds not mitigated enough capital infusion. The Interest coverage ratio (ICR) stood at 1.45 times in FY2017.

Working capital intensive operations

Operations of the firm were working capital intensive marked by high GCA days of Rs. 169 days in FY2017 on account of high inventory holding period. Inventory holding period stood at 145 days and debtor days stood at 30 in FY2017. SPCI utilizes 100 per cent of its cash credit limit.

Analytical approach

SMERA has considered the standalone financials of Sri Padma Cashew Industries.

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 – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.52	8.09	5.96
EBITDA	Rs. Cr.	0.67	0.49	0.32
PAT	Rs. Cr.	0.06	0.04	0.08
EBITDA Margin	(%)	5.82	6.05	5.35
PAT Margin	(%)	0.51	0.50	1.35
ROCE	(%)	9.62	10.38	12.65
Total Debt/Tangible Net Worth	Times	4.29	3.74	1.82
PBDIT/Interest	Times	1.45	1.54	1.71
Total Debt/PBDIT	Times	7.59	7.08	5.10
Gross Current Assets (Days)	Days	169	164	145

Any other information

SMERA Ratings Limited

“SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups”

Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
02-February-2017	Cash Credit	Long Term	2.50	SMERA B/ Stable (Assigned)
	Term Loan	Long Term	0.50	SMERA B/ Stable (Assigned)
	Pledge Loan	Long Term	2.00	SMERA B/ Stable (Assigned)
	Proposed Facility	Long Term	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	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B/ Stable (Reaffirmed)
Pledge Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B/ Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/ Stable (Reaffirmed)

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ABOUT SMERA

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