

## 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<br>(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

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“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) |

**Contacts:**

| Analytical   | Rating Desk   |
|--|---|
| Suman Chowdhury<br>President - SMERA Bond Ratings<br>Tel: +91-22-6714 1107<br><a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a><br><br>Aditi Shah<br>Analyst - Rating Operations<br>Tel: +91-22-6714 1371<br><a href="mailto:aditi.shah@smera.in">aditi.shah@smera.in</a> | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br><a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a> |

**ABOUT SMERA**

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