

Press Release

09 March, 2017

Jayalakshmi Cashew Exports

Rating Assigned

Total Bank Facilities Rated *	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of Jayalakshmi Cashew Exports. The outlook is '**Stable**'.

Jayalakshmi Cashew Exports (JCE) was incorporated in 1995 as a proprietary concern by Mr. Pankajakshan. The firm is engaged in the processing and export of cashew nuts. The firm imports raw cashew from Tanzania and South Africa and after processing the same exports it to Japan, USA and Dubai.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

JCE was established in 1995 by Mr. Pankajakshan, Proprietor who possesses more than two decades of experience in cashew processing and export.

- **Improvement in operating margins**

The firm's operating margin improved marginally to 3.60 percent in FY2016 from 2.81 percent in FY2015. The profit margin improved from 0.45 percent in FY2015 to 0.88 percent in FY2016.

- **Average financial risk profile**

The firm has average financial risk profile marked by gearing of 0.97 times as on March 31 2016 and 1.46 times as on March 31 2015. The Interest coverage ratio stood at 1.93 times for FY2015-16 as compared to 1.42 times for FY2014-15. The comfortable ROCE stood at 10.58 percent in FY2016.

Weaknesses

- **Operating margins are susceptible to volatility in raw material prices**

Operating margins are susceptible to volatility in raw material prices and foreign exchange fluctuation risk. The firm procures 90 percent of the cashew through imports from African countries.

• **High competition and fragmented nature of the industry**

JCE operates in a highly competent and fragmented industry. There are a number of organised and unorganised players in the industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that JCE will maintain a stable outlook owing to its promoters experience in the food and agro industry and continuous increase in volumes. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of weakening of the operating margins or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported Profit after Tax (PAT) of Rs.0.14 cr on operating income of Rs.15.32 cr as against PAT of Rs.0.11 cr on an operating income of Rs.25.55 cr for FY2014-15. The networth of the firm stood at Rs.1.85 cr as on 31st March 2016 as compared to Rs.1.75 cr as on 31st March 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

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ABOUT SMERA

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