

Press Release

Shivagiri Cashews

04 May, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating on the Rs.12.50 crore bank facilities of Shivagiri Cashews to '**SMERA B-**' (read as **SMERA B minus**) from '**SMERA B**' (read as **SMERA B**). The outlook is '**Stable**'.

The downgrade is in view of the low net cash accruals which is unable to aid in the servicing of current debt obligations. The same is expected to be below the initial expectation over the near to medium term. The downgrade also factors in the liquidity pressure emanating from the stretched operating cycle.

Shivagiri Cashews (SC), a Karnataka-based partnership firm was established in April 2016 by Mr. Pratap Hegde and Mrs. Divya Hegde. SC is engaged in the processing and trading of cashew, cashew nuts and by-products such as cashew husk and shells at Udupi. The installed capacity stands at 4800 kg of cashews per day.

Key Rating Drivers

Strengths

Experienced partners

Mr. Pratap Hegde and Mrs. Divya Hegde possess experience of around seven years in the industry.

Healthy revenue growth

The firm booked revenue of Rs.5.27 crore in FY2017. The firm booked revenue of Rs.16.55 crore in FY2018 (Provisional).

Weaknesses

Average financial risk profile

The financial risk profile is marked by low net worth of Rs.0.30 crore as on 31 March, 2017. The gearing (debt to equity ratio) stood high at around 26.75 times as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood low at 2.07 times in FY2017 as against 2.13 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood low at 0.46 times in FY2017.

Competitive and fragmented industry

The cashew industry is highly competitive with low entry barriers. The firm is exposed to competition from organised as well as unorganised players in the industry.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of Shivagiri Cashews to arrive at this rating.

Outlook: Stable

SMERA believes that SC will maintain a 'Stable' outlook in the medium term on the back of its experienced partners. The outlook may be revised to 'Positive' in case the firm registers higher than expected revenue while booking healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of higher than anticipated debt-funded capital expenditure and/or failure to achieve expected cash flows.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.27	NA	NA
EBITDA	Rs. Cr.	0.32	NA	NA
PAT	Rs. Cr.	-0.54	NA	NA
EBITDA Margin	(%)	6.01	NA	NA
PAT Margin	(%)	-10.20	NA	NA
ROCE	(%)	3.69	NA	NA
Total Debt/Tangible Net Worth	Times	26.75	NA	NA
PBDIT/Interest	Times	0.46	NA	NA
Total Debt/PBDIT	Times	25.24	NA	NA
Gross Current Assets (Days)	Days	439	NA	NA

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

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23-May, 2017	Overdraft	Long Term	3.00	SMERA B / Stable (Assigned)
	Cash Credit	Long Term	7.50	SMERA B / Stable (Assigned)
	Term Loan	Long Term	2.00	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
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B- / Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA B- / Stable (Downgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B- / Stable (Downgraded)

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ABOUT SMERA

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