

Press Release

California Agri Nuts Corporation

November 16, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 20.00 crore bank facilities of California Agri Nuts Corporation (CANC). The outlook is '**Stable**'.

Established in 2008, CANC is a Delhi based partnership firm engaged in the trading of dry fruits. The day to day operations are managed by partners, Mr. Raju Bhatia and Mrs. Simi Bhatia. The firm imports dry fruits and grocery goods from across the world (Australia, USA and Chile among others) and sells them pan-India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CANC to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced Partners**

CANC was established in 2008 as a partnership firm engaged in exporting of dry fruits. The partners, Mr. Raju Bhatia and Mrs. Simi Bhatia have an experience of around two decades in the trading industry. Mr. Raju Bhatia is the India ambassador to represent the dry fruit industry at the International Nut and Dry Fruit Council (INC).

- **Efficient working capital cycle**

CANC's working capital operations are efficiently managed as reflected by its Gross Current Assets (GCA) of 32 days for FY2018 (Provisional) as against 33 days for FY2017. The firm maintains an inventory of around 20 days on an average and its receivable days are minuscule at around 2-3 days. As a result, the average utilisation of bank limits stood at ~80 percent in the last six months ending October, 2018. Acuité believes that the working capital requirements will continue to remain efficiently managed considering the demand for the products.

- **Healthy scale of operation**

The scale of operations stood at healthy levels with operating income at Rs.316.51 crore in FY2017-18 (Provisional) as compared to Rs.342.16 crore in FY2016-17.

Weaknesses

- **Competitive and fragmented nature of industry with foreign exchange fluctuation risk**

The dry fruits industry is highly competitive with multiple players coupled with low entry barrier which results into intense competition from both organised as well as unorganised players. Also, the firm faces a foreign exchange fluctuation risk due to heavy imports and less hedging mechanism in place.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and debt protection measures and high gearing. The net worth of the firm has marginally deteriorated to Rs.8.72 crore as on 31 March, 2018 (Provisional) as against Rs.8.92 crore as on 31 March, 2017; owing to withdrawal of capital by the promoter despite the firm reporting profits of about Rs.0.52 lakhs per annum. The gearing of the

firm is high at 1.77 times as on March 31, 2018 (Provisional) as against 1.70 times as on 31 March, 2017. The total debt as on 31 March, 2018 (Provisional) of Rs.15.44 crore consist of term loan of Rs.0.13 crore, unsecured loans from related party of Rs.1.75 crore and overdraft facility of Rs.13.56 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.28 times as on 31 March, 2018 (Provisional) as against 2.58 times as on 31 March, 2017. Interest Coverage Ratio (ICR) and Net Cash Accruals/Total Debt (NCA/TD) are moderate at 1.29 times and 0.04 times respectively in FY2018 (Provisional) as against 1.24 times and 0.03 times in FY2017.

Outlook: Stable

Acuité believes that CANC will maintain a 'Stable' outlook in the medium term owing to the extensive experience of its management in the dry fruits business. The outlook may be revised to 'Positive' in case of sustained growth in revenues, profitability profile and accruals while maintaining the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure or debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	316.51	342.16	353.18
EBITDA	Rs. Cr.	2.78	2.48	2.41
PAT	Rs. Cr.	0.52	0.38	0.32
EBITDA Margin	(%)	0.88	0.73	0.68
PAT Margin	(%)	0.16	0.11	0.09
ROCE	(%)	11.19	10.00	10.09
Total Debt/Tangible Net Worth	Times	1.31	1.70	1.75
PBDIT/Interest	Times	1.29	1.24	1.21
Total Debt/PBDIT	Times	4.88	6.09	5.97
Gross Current Assets (Days)	Days	32	33	28

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jul-2017	Cash Credit	Long Term	15.00	ACUITE BB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Assigned)

***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	20.00	ACUITE BB- / Stable (Reaffirmed)

Cash Credit has sublimit book debts is Rs. 10.00 crore, sublimit goods and services tax towards imports is Rs.6.00 crore, sublimit goods against transit is Rs.7.00 crore.

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About Acuité Ratings & Research:

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