

Press Release
California Agri Nuts Corporation (CANC)

December 31, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Key Rating Drivers

Strengths

• Experienced management

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) days which stood at 36 days for FY2019 as against 32 days for FY2018. The firm maintains an inventory of around 20 days on an average and its receivable days are minuscule at around 4-5 days. As a result, the average utilization of bank limits stood at ~83 percent in the last eight months ending November, 2019. 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.333.02 crore in FY2018-19 as compared to Rs.316.51 crore in FY2017-18. In the current financial year the company have earned a gross revenue of Rs.258.45 crore as on November, 2019 and expected to achieve a revenue of Rs.380.00 crore by the end of the current financial year.

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 organized as well as unorganized 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 stood at Rs.7.71 crore as on 31 March, 2019 as against Rs.7.43 crore as on 31 March, 2018; owing to withdrawal of capital by the promoter despite the firm reporting profits of about

Rs.0.57 crores in the FY2019. The gearing of the firm is high at 2.89 times as on March 31, 2019 as against 2.25 times as on 31 March, 2018. The total debt as on 31 March, 2019 of Rs.22.28 crore consist of unsecured loans from related party of Rs.3.53 crore and outstanding amount of cash credit facility of Rs.18.75 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.31 times as on 31 March, 2019 as against 2.85 times as on 31 March, 2018. Interest Coverage Ratio (ICR) and Net Cash Accruals/Total Debt (NCA/TD) are moderate at 1.37 times and 0.03 times respectively in FY2019 as against 1.28 times and 0.04 times in FY2018.

Rating Sensitivity Factor

- Improvement in revenue.

Material Covenants

None

Liquidity position: Adequate

The firm has adequate liquidity profile marked by moderate net cash accruals as against no significant debt obligations. The firm generated cash accruals of Rs. 0.67 crore for FY2019, while there are no significant debt obligations for the same period. The cash accruals of the firm are estimated to remain around Rs. 0.75 crore to Rs. 1.48 crore during FY2020-22 against no significant debt obligations for the same period. CANC's working capital operations are efficient marked by gross current asset (GCA) of 36 days for FY2019. The firm maintains unencumbered cash and bank balances of Rs. 2.47 crore as on 31 March, 2019. The current ratio stood at 1.48 times as on 31 March, 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate net cash accruals against no significant debt repayments obligation over the medium term.

Outlook: Stable

Acuité believes that CANC will maintain a 'Stable' outlook in the medium term on account of established relationship with reputed clientele. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	333.02	316.51
PAT	Rs. Cr.	0.57	0.52
PAT Margin	(%)	0.17	0.16
Total Debt/Tangible Net Worth	Times	2.89	2.25
PBDIT/Interest	Times	1.37	1.28

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
16-November-2018	Cash Credit	Long Term	20.00	ACUITE BB-/Stable (Reaffirmed)
11-July-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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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