

Press Release
California Agri Nuts Corporation

March 31, 2021

Rating reaffirmed



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB-/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 (CANC). The outlook is '**Stable**'.

About the Company

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 this 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).

Acuité believes that the company will benefit from its experienced management to maintain healthy relations with its customers and suppliers.

• **Efficient working capital management**

The working capital management of the firm is highly efficient in FY2020 marked by Gross Current Assets (GCA) of 33 days in FY2020 as against 36 days in FY2019. The inventory and debtor levels stood at 23 days and 5 days in FY2020 as against 23 days and 4 days in FY2019, respectively. The creditor days stood at 6 days in FY2020 as against 3 days in FY2019. As a result, the bank limits utilization is low at 36 percent in the last six months ending February, 2021. Acuité believes that the working capital requirements will continue to remain efficient over the medium term on account of low inventory and debtor days.

Weaknesses

• **Average financial risk profile-**

Firm's financial risk profile remained average marked by moderate net worth, gearing and moderate debt protection metrics. The net worth of the firm stood at Rs.7.75 Crore as on 31 March 2020 as against Rs.7.71 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 2.54 times as on 31 March

2020 as against 2.89 times as on 31 March 2019. The total debt of Rs.19.67 Crore as on 31 March 2020 consists of unsecured loan of Rs.3.86 Crore and working capital borrowings of Rs.15.82 Crore. The interest coverage ratio (ICR) stood at 1.38 times in FY2020 as against 1.37 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.03 times in FY2020 as against 0.03 times in FY2019.

• 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.

Rating sensitivity

- Continuous improvement in operating income for the past three years, however in the current financial year the operating income is expected to show a decline due to decline in the prices.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.69 Crore in FY2020 as against no significant CPLTD for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.76 Crore to Rs.1.00 Crore during FY2021-23 against no significant CPLTD for the same period. Company's working capital operations are efficient marked by Gross Current Asset (GCA) days of 33 days in FY2020. As a result, the bank limits utilization is low at 36 percent in the last six months ending February, 2021. Company maintains unencumbered cash and bank balances of Rs.1.60 Crore as on 31 March 2020. The current ratio stands at 1.45 times as on 31 March 2020.

Outlook: Stable

Acuité believes CANC will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company 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 company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	381.42	333.02
PAT	Rs. Cr.	0.58	0.57
PAT Margin	(%)	0.15	0.17
Total Debt/Tangible Net Worth	Times	2.54	2.89
PBDIT/Interest	Times	1.38	1.37

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

CANC's rating was flagged off as Issuer not cooperating with CRISIL, through its rating rationale dated October 20th, 2020. The reason provided by CRISIL is non-furnishing of information by CANC.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <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/view-rating-criteria-55.htm>
Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
31-December-2019	Cash Credit	Long Term	20.00	ACUITE BB-/Stable (Reaffirmed)
16-November-2018	Cash Credit	Long Term	20.00	ACUITE BB-/Stable (Reaffirmed)

***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)

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About Acuité Ratings & Research:

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