

Press Release

California Agri Nuts Corporation

January 19, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating from '**ACUITE B+**' (read as **ACUITE B plus**) to '**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**'.

Rationale for Rating Upgrade

The rating upgrade considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. Coupled to that, the company has moderate financial risk profile, adequate liquidity with low bank limit utilisation.

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

Improvement in Revenue

CANC reported operating income of Rs. 359.43 Cr in FY2022 as against Rs. 277.26 Cr in FY2021 on the back of recovery in demand post Covid interruptions. EBITDA margin saw minuscule dip and stood at 0.53 % in FY22 in comparison to 0.56% in FY21. Further, Net Profit margin stood at 0.16% in FY2022 as against 0.25% in FY 2021. This shows the firm has very thin margins.

Firm has achieved Operating income of Rs. ~240 Cr. In nine months of FY 23

Working capital operations

CANC has efficient working capital requirements as evident from gross current assets (GCA) of 33 days in FY2022 as compared to 28 days in FY2021 (33 days in FY 20). Debtor days have decreased to 5 days in FY2022 as against 7 days in FY2021. Inventory days have decreased to 9 days in FY2022 as against 11 days in FY2021. The working capital limits are utilized at ~61 per cent during the last nine months ended December 22. Further, the current ratio of CANC stood at 1.51 times as on March 31, 2022.

Weaknesses

Average Financial Risk Profile

CANC has average financial risk profile marked by low net worth, moderate Gearing and debt protection metrics. CANC's net worth stood at Rs. 7.00 Cr as on 31st March 2022 as against Rs. 8.07 Cr as on 31st March 2021. Gearing levels (debt-to-equity) stood at 2.70 times as on March 31, 2022 as against 0.48 in FY 2021. The debt profile of the firm majorly comprises of working capital borrowings, followed by unsecured loan.

Further, the interest coverage ratio and Debt service coverage ratio stood strong at 1.60 times for FY2022 as against 1.96 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 3.78 times as on FY2022 vis-à-vis 1.70 times as on FY2021. However, Debt-EBITA stood at 9.84 times as on 31st March 2022 as against 2.42 times as on 31st March 2021.

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 Sensitivities

Improvement in Operating income and profitability resulting in improvement of Financial Risk profile

Material covenants

None

Liquidity Position

Adequate

CANC has adequate liquidity marked by efficient Working Capital Operations and current ratio. Firm generated cash accruals of Rs. 0.72 crore for FY2022. Current Ratio stood at 1.51 times as on 31 March 2022 as against 2.15 times in the previous year. The working capital limits are utilized at ~61 per cent during the last nine months ended December 22. Therefore, firm has adequate liquidity to meet its requirements.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	359.43	277.26
PAT	Rs. Cr.	0.56	0.69
PAT Margin	(%)	0.16	0.25
Total Debt/Tangible Net Worth	Times	2.70	0.48
PBDIT/Interest	Times	1.60	1.96

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

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jun 2022	Cash Credit	Long Term	20.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
31 Mar 2021	Cash Credit	Long Term	20.00	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BB- Stable Upgraded

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About Acuité Ratings & Research

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