

**Press Release**  
**California Agri Nuts Corporation**  
**May 13, 2024**  
**Rating Upgraded**



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

**Rating Rationale**

Acuite has upgraded the Long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B+**' (read as **ACUITE B plus**) on Rs. 20 Cr. bank facilities rating of California Agri Nuts Corporation. The outlook remains '**Stable**'.

**Rationale for Rating Upgrade**

The rating upgrade considers an improvement in CANC's business and liquidity profile. The revenues of the firm have improved to Rs. 321.63 Cr. (Prov.) in FY2024 compared to Rs 296.60 Cr. in FY2023 due to increase in type of dry fruits and spices that the firm has traded in. The operating margin has also improved to 1.08 % in FY2024 (Prov.) compared to 0.82% on FY2023. The firm has procured dry fruits at lower prices and staggered its sales throughout the year to get advantage of pricing. Furthermore, the company's financial risk profile continues to remain moderate with an average capital structure and debt protection metrics. The firm's liquidity has improved as reflected by low but improving accruals, moderate current ratio, financial flexibility of management to bring in funds, absence of capex plans and no current debt repayments. The working capital management is efficient marked by comfortable Gross Current Days (GCA) days as reflected from 36 days as on March 31, 2024 (Prov.).

The rating further draws comfort on long track record of operations, extensive experience of the promoters and efficient working capital cycle. Coupled to that, the company has moderate financial risk profile, adequate liquidity with low bank limit utilisation. The rating is constrained by presence in a competitive and fragmented nature of industry and exchange fluctuation risk.

**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 from across the world (Australia, USA and others) and sells them pan India.

**Unsupported Rating**

Not applicable

**Analytical Approach**

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

**Key Rating Drivers**

## Strengths

## **Steady scale of operations and improved profitability**

The firm's revenue increased to Rs 321.63 Cr in FY2024 (Prov.) as against Rs 296.60 Cr in FY2023, thereby registering an y-o-y growth of 8.00%. The increase in revenue in FY2024 (Prov.) can be attributed to the increase in type of dry fruits and spices that the firm has traded in, compared to last year.

The operating margin of the firm increased to 1.08 per cent in FY2024 (Prov.) from 0.82 per cent in FY2023. The increase in operating margin in FY2024 (Prov.) is because the firm has procured dry fruits at lower prices and staggered its sales throughout the year to get advantage of pricing.

## **Efficient Working Capital Operations**

CANC has an efficient working capital cycle marked by GCA of 36 days in FY2024 (Prov.) as against 25 days in FY2023 and 33 days in FY2022. The inventory is high i.e. 23 days in FY2024 (Prov.) compared to 12 days in FY2023. This has been due to higher lead time in transit and staggered sales throughout the year to get advantage of pricing. The firm had a healthy debtor collection cycle i.e. 9 days in FY2024 (Prov.) as against 3 days in FY2023. Against this, the firm does not enjoy much credit from suppliers as reflected from the credit period of 2 days as on year end March 31, 2024 (Prov.). Acuite believes that the working capital cycle of the firm will continue to remain at similar levels over the medium term.

## **Weaknesses**

### **Moderate Financial Risk Profile**

CANC has financial risk profile marked by slightly improving net worth, high gearing and comfortable debt protection metrics. CANC's net worth stood at Rs. 8.00 Cr. as on 31st March 2024 (Prov.) as against Rs. 7.83 Cr. as on 31st March 2023. Gearing levels (debt-to-equity) stood high at 2.70 times as on March 31, 2024 (Prov.) as against 1.48 times in FY 2023. The debt profile of the firm comprises of unsecured loans and short-term borrowings. The interest coverage ratio and Debt Service Coverage Ratio stood comfortable at 1.64 times in FY2024 (Prov.) as against 1.69 times in FY2023. Total outside liabilities to total net worth (TOL/TNW) stood 3.02 times in FY2024 (Prov.) as against 1.75 times in FY2023. Debt-EBIDTA stood 6.22 times in FY2024 (Prov.) as against 4.74 times in FY2023. Acuite believes that the financial risk profile of the firm will continue to remain moderate marked by low net worth, high gearing and average debt protection metrics over the medium term.

### **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 absence of a hedging mechanism in place.

## **Rating Sensitivities**

- Improvement in operating income and profitability.
- Improvement in capital structure.

## **Liquidity Position**

### **Adequate**

The firm has an adequate liquidity position marked by net cash accrual of Rs. 1.36 Cr. in FY2024 (Provisional) as against Rs. 1.01 Cr. in FY2023, as against nil debt obligation during both these years. The management has the flexibility to bring in funds in the business as reflected from unsecured loans of Rs. 9.43 Cr in FY2024 (Prov.). Current ratio stood at 2.14 times at FY2024 (Prov.) compared to 3.64 times at FY2023. The firm has efficient working capital requirements as GCA stood at 36 days in FY2024 (Prov.) as against 25 days in FY2023. The bank limit utilization at 48.64% during the last 7 months ended March 2024.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term

on account of steady cash accruals, moderate current ratio, financial flexibility of management to bring in funds, absence of capex plans- and no current debt repayments.

**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 improving its 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	321.63	296.60
PAT	Rs. Cr.	1.24	0.86
PAT Margin	(%)	0.38	0.29
Total Debt/Tangible Net Worth	Times	2.70	1.48
PBDIT/Interest	Times	1.64	1.69

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

Not Applicable

### Any other information

None

### Applicable Criteria

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Apr 2024	Cash Credit	Long Term	20.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-   Stable)
19 Jan 2023	Cash Credit	Long Term	20.00	ACUITE BB-   Stable (Upgraded from ACUITE B+)
20 Jun 2022	Cash Credit	Long Term	20.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-   Stable)
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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )

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### About Acuité Ratings & Research

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