

Press Release

Dammam Cashew (DC)

16 August, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr
Long Term Rating	SMERA BB-/Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs.10.00 crore bank facilities of Dammam Cashew (DC). The outlook is '**Stable**'.

DC, a proprietorship concern established in 2005 by Mr. Abdul Vahid, is engaged in the trading and processing of raw cashew nuts.

List of key rating drivers and their detailed description

Strengths

Experienced management

Mr. Abdul Vahid, Proprietor, has experience of over a decade in cashew processing.

Weaknesses

Modest scale of operations

The firm has modest scale of operations with revenue of around Rs.29.97 crore in FY2017 (Provisional) as against Rs.26.89 crore in FY2016. The cashew processing business is highly fragmented with the presence of a large number of organised and unorganised players.

Below average capital structure

The networth stood low at Rs.4.42 crore as on 31 March, 2017 (Provisional) as against Rs.4.15 crore as on 31 March, 2016. The gearing stood high at 2.28 times as on 31 March, 2017 (Provisional) as against 1.05 times in the previous year. The deteriorated is mainly on account of increased working capital utilisation.

Working capital intensive operations

The working capital intensive operations are marked by high gross current asset of 172 days in FY2017 (Provisional) compared to 110 days in FY2016. The GCA increased mainly on account high advances given to suppliers.

SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on DC's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm achieves sustained growth in revenues and profit margins and improves its capital structure. Conversely, the outlook maybe revised to 'Negative' in case the firm registers deterioration in its capital structure resulting in a steep decline in revenues and profit margins.

About the Rated Entity

Dammam Cashew (DC), established in 2005 as a proprietorship concern by Mr. Abdul Vahid is engaged in the processing (20 percent) and trading (80 per cent) of raw cashew nuts. The firm has five units in Tamil Nadu and Kerala with processing capacity of 15 MT per day.

For FY2016-17 (Provisional), DC reported net profit of Rs.0.39 crore on operating income of Rs.29.97 crore, compared to net profit of Rs.0.34 crore on operating income of Rs.26.89 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	10.00	SMERA 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	NA	NA	NA	10.00	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Rating Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Reema Gangola, Manager – Rating Operations, Tel:022-67141111 Email: reema.gangola@smera.in	

ABOUT SMERA

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