

Press Release

Bola Raghavendra Kamath & Sons (BRKS)

06 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 125.00 Cr
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.125.00 crore bank facilities of Bola Raghavendra Kamath & Sons (BRKS).

BRKS, a two star export house engaged in the business of cashew kernel processing was established in 1958 by the Late Mr. Bola Raghavendra Kamath. The firm also trades in coffee beans, cashew shell oil and shell cakes and has three processing units at Karkala Taluk, Karnataka. The day-to-day affairs of the firm are led by Mr. Bola Jayavantha Kamath, Mr. Bola Ramanath Kamath, Mr. Bola Annappa Kamath, Mr. Bola Raghunandan Kamath and Mr. Bola Nagaraj Kamath.

List of key rating drivers and their detailed description

Strengths

Experienced management

BRKS has seven partners from the Kamath family namely Mr. Bola Jayavantha Kamath, Mr. Bola Ramanath Kamath, Mr. Bola Anappa Kamath among others who possess experience of over three decades in the agro processing industry.

Weaknesses

Aggressive capital structure

The firm has networth of Rs. 15.18 crore as on 31 March, 2017 (Provisional) compared to Rs. 12.67 crore as on 31 March, 2016. The gearing stood high at 5.65 times as on 31 March, 2017 (Provisional) as against 3.91 times in the previous year. The gearing deteriorated mainly on account of increase in the working capital requirements. The total debt of Rs. 85.71 crore includes short term borrowings of Rs. 78.93 crore and long term loans of Rs. 6.78 crore.

Working capital intensive operations

The operations are working capital intensive with high Gross Current Asset days of 173 in FY2017 (Provisional), an increase from 94 days in FY2016. The GCA days increased mainly on account of increase in inventory holding to 144 days in FY2017 from 62 days in FY2016. The inventory days increased as the firm faced delay in commencement of operations (new machinery).

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

Highly fragmented and competitive industry

The cashew processing business is highly fragmented with intense competition in the industry due to low entry barriers and product differentiation, limiting pricing flexibility.

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>

About the Rated Entity

For FY2016-17 (Provisional) BRKS reported profit after tax (PAT) of Rs.2.92 crore on operating income of Rs.157.97 crore, compared to PAT of Rs.0.91 crore on operating income of Rs.155.07 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): ICRA in the press release dated August 2011 has suspended the rating of Bola Raghavendra Kamath and Sons and has stated the following 'The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company'

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Packing Credit	NA	NA	NA	75.00	SMERA A4+ (Assigned)
Foreign Bill Discounting	NA	NA	NA	25.00	SMERA A4+ (Assigned)
Proposed Packing Credit	NA	NA	NA	25.00	SMERA A4+ (Assigned)

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

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ABOUT SMERA

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