

## Press Release

Sri Gowri Cashew

June 22, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 10.00 crore bank facilities of Sri Gowri Cashew. The outlook is '**Stable**'.

Sri Gowri Cashew was established in 2006 by Mr. Mohandas Hegde. The company is in processing of cashews into cashew kernals, shells, cashew husk and rejects. It imports cashews from South Africa, Nigeria, Singapore, and other African Countries and sells the processed product domestically in Maharashtra, Gujarat, and Punjab. The capacity of the company is approximately 90 bags (80 kg) each per day. The company fully utilizes its available capacity.

### Key Rating Drivers

#### Strengths

- **Experienced management**

SGC was established in 2006. The promoter has experience of almost two decades in cashew processing industry.

- **Moderate revenue growth and operating margins**

SGC has booked revenue of Rs.28.78 crore in FY2018 (Provisional) as compared to Rs.29.73 crore in FY2017 and 25.95 crore in FY2016. The operating margins are improving from FY2016 to FY2018. In FY2018, the margins were at 7.87 percent (Provisional) as compared to 6.46 percent in FY2017 and 6.05 percent in FY2016.

- **Improving financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.6.46 crore as on 31 March, 2018 (Provisional) as against Rs.2.64 crore as on 31 March, 2017. The improving gearing (debt - equity) stood at 1.64 times as on 31 March, 2018 (Provisional) and 4.04 times as on 31 March, 2017. The interest coverage ratio remained stable at 1.66 times in FY2018 (Provisional) and 1.65 times in FY2017. The Debt Service Coverage Ratio (DSCR) stood same at 1.55 times in both FY2018 (Provisional) and FY2017.

#### Weaknesses

- **Moderate working capital operations**

SGC has a moderate working capital cycle marked by Gross Current Asset (GCA) of 188 days in FY2018 (Provisional) as compared to 121 days in FY2017. The cash credit limits are utilised fully on an average for last six months.

- **Highly fragmented and competitive industry**

SGC is exposed to intense competition from organised and unorganised players in the cashew industry affecting profitability.

- **Susceptible to raw material price fluctuation and foreign exchange fluctuation risk**

SGC imports the raw material from South Africa, Nigeria, Singapore, and other African countries, thus exposing the company to foreign price fluctuations in the raw material prices.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Sri Gowri Cashews to arrive at the rating.

### Outlook: Stable

Acuite believes that SGC will maintain a 'Stable' business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the revenue increases significantly backed by improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company incurred significant loss and deterioration in its financial risk profile or deterioration in working capital management.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.78	29.73	25.95
EBITDA	Rs. Cr.	2.27	1.92	1.57
PAT	Rs. Cr.	0.44	0.29	0.30
EBITDA Margin	(%)	7.87	6.46	6.05
PAT Margin	(%)	1.53	0.97	1.16
ROCE	(%)	13.20	14.42	16.29
Total Debt/Tangible Net Worth	Times	1.84	4.04	3.40
PBDIT/Interest	Times	1.66	1.65	1.78
Total Debt/PBDIT	Times	4.82	5.50	4.23
Gross Current Assets (Days)	Days	191	146	88

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Dec-2017	Cash Credit	Long Term	INR 10	ACUITE B+ / Stable

### \*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	10.00	ACUITE B+ / Stable

## Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a></p> <p>Disha Parmar Analyst - Rating Operations Tel: 022-67141120 <a href="mailto:disha.parmar@acuiteinratings.in">disha.parmar@acuiteinratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.