

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

Acuité 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 kernels, 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

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

Outlook: Stable

Acuité 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

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About Acuité Ratings & Research:

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