

Press Release

Sri Sai Cashews

April 09, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 6.00 crore
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 6.00 crore bank facilities of SRI SAI CASHEWS (SSC). The outlook is '**Stable**'.

The Karnataka-based SSC, established in 2015 by Mr Prashant Poojary, is engaged in the processing of cashews. The firm has installed capacity of 4 TPD and commenced commercial operations in August 2017.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SSC to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The firm is led by Mr. Prashant Poojary who has more than a decade of experience in the agro industry.

Weaknesses

Limited track record of operations

The scale of operations remained modest with revenue of Rs. 2.63 crore in FY2018. The reason being that the commercial operations commenced from August 2017.

Susceptibility of profitability margins to volatility in raw material prices and agro climatic risks

Since the main raw material is an agricultural product, the availability and pricing of the same depends upon various factors including monsoon, area under cultivation and domestic demand, among other factors. The operating margins of SSC are susceptible to volatility in raw material prices (Cashew) as rise in prices are expected to affect operating margins.

Intense competition

The firm is exposed to intense competition in the industry from several unorganised players which limits the bargaining power of the firm.

Liquidity Position:

SSC has inadequate liquidity marked by negative net cash accruals to its maturing debt obligations. The concern had negative cash accruals of Rs.0.08 crore during the FY2018, due to initial year of operations. The cash accruals of the concern are estimated to remain around Rs.0.45-0.60 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.44 crore. The commercial operations commenced from August, 2017. The concern's operations are moderately working capital intensive as marked by Gross Current Assets (GCA) of 374 days in FY 2018. The current ratio stood at 0.80 times as on March 31, 2018. Acuité believes that the liquidity of the concern is likely to remain weak over the medium term on account of low cash accrual as compared to repayments over the medium term.

Outlook: Stable

Acuité believes that SSC will benefit over the medium term from the promoters long experience in the agro industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	2.63
EBITDA	Rs. Cr.	0.26
PAT	Rs. Cr.	(0.38)
EBITDA Margin	Rs. Cr.	9.73
PAT Margin	(%)	(14.39)
ROCE	(%)	(1.87)
Total Debt/Tangible Net Worth	(%)	(44.35)
PBDIT/Interest	Times	0.77
Total Debt/PBDIT	Times	19.25
Gross Current Assets (Days)	Times	374

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

Not applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
17-01-2018	Term Loans	Long Term	2.00	ACUITE B/ Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE B/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B/ Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuiteratings.in	

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) for the latest information on any instrument rated by Acuité.