



Press Release

Sri Sai Maruthi Cashew Industries

April 22, 2019

Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 6.00 crore bank facilities of SRI SAI MARUTHI CASHEW INDUSTRIES (SSCI). The outlook is '**Stable**'.

SSCI, a partnership firm was established by Mr. Jayaprakash Shetty and Mrs. Anita Shetty in 2008. The firm is engaged in the processing of raw cashewnuts (into cashew kernels, shells, cashew husk and rejects). The firm imports cashews from Tanzania, Benin Indonesia and other African countries and sells the processed products in Maharashtra, Delhi, Rajasthan and other states. The firm has capacity of approximately 35 bags i.e. 80 kgs each per day.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and long track record of operations

SSCI's promoters Mr. Jayaprakash Shetty and Mrs. Anita Shetty have a decade of experience in the industry. The firm has an established track record of operations and has been growing at a CAGR of 31 percent.

Average financial risk profile

The financial risk profile is average marked by net worth of Rs. 2.56 crore as on 31 March, 2018 as compared to Rs. 2.40 crore as on 31 March, 2017. The adjusted gearing (debt-equity) stood at 1.83 times as on 31 March, 2018 as against 1.80 times as on 31 March, 2017. The total debt mainly comprises working capital borrowings of Rs. 4.34 crore as on 31 March, 2018 and long term borrowings of Rs. 0.34 crore. Interest Coverage Ratio (ICR) stood at 1.35 times in FY2018 and 1.49 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.28 times in FY2018 as against 1.40 times in FY2017.

Weaknesses

Margins are susceptible to volatility in raw material prices

The operating margins are susceptible to fluctuations in raw material prices and foreign exchange fluctuation risk. The firm procures 90 percent of its raw cashewnuts through imports from African countries. This reflects from its volatile profitability margins. The EBITDA margin remains volatile at 9.13 percent in FY2018 to 8.38 percent in FY2017 and 10.18 percent in FY2016. PAT margin of the firm stood at 0.85 percent in FY2018 and 1.13 percent in FY2017 as compared to 0.44 percent in FY2016.

Competitive and fragmented industry

The firm operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting margins.

Liquidity Position:

The liquidity position is stretched with low net cash accruals and higher bank limit utilisation. Also, the **Acuité Ratings & Research Limited** (erstwhile SMERA Ratings Limited)

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operations are working capital intensive marked by high Gross Current Asset (GCA) days of 277 in FY2018, which are mainly dominated by inventory days of 224 in FY2017.

Acuité believes that the efficient working capital management will remain a key monitorable factor to maintain a stable credit profile.

Outlook: Stable

Acuité believes that SSCI will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely, the outlook will be revised to 'Negative' in case of significant decline in the firm's revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.90	8.74	4.87
EBITDA	Rs. Cr.	0.72	0.73	0.50
PAT	Rs. Cr.	0.07	0.10	0.02
EBITDA Margin	(%)	9.13	8.38	10.18
PAT Margin	(%)	0.85	1.13	0.44
ROCE	(%)	9.22	10.15	8.76
Total Debt/Tangible Net Worth	Times	1.83	1.80	3.98
PBDIT/Interest	Times	1.35	1.49	1.42
Total Debt/PBDIT	Times	6.41	5.78	9.49
Gross Current Assets (Days)	Days	277	229	344

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

None

Any other information

None

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-40.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
14-Feb-2018	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Assigned)
	Overdraft	Long Term	5.00	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Date	Name of the instrument/facilities	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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