

Press Release

Nisha Traders (NT)

March 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.7.90 Cr.
Long Term Rating	SMERA B+/ Outlook:Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**'(read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.90 crore facilities of Nisha Traders. The outlook is '**Stable**'.

Established in 1990 by Mr. K Bharathidaasan, Nisha Traders is a proprietorship firm engaged in the processing of raw cashew nuts (RCNs). The firm imports raw cashew nuts from African countries and processes them at its facility at Cuddalore(Tamil Nadu). The high grade cashew kernels are exported and medium to low grade kernels are sold in the domestic market.Thefirm has an installed capacity of 400 metric tonnes per annum (MTPA).

Key Rating Drivers

Strengths

Experienced management

The proprietor, Mr. K Bharathidaasan possesses more than two decades of experience in the cashew processing industry.

Steady increase in operating income

The operating income increased to Rs.12.30 crore in FY2017 from Rs.6.06 crore in FY2016 due to increase in demand for cashew kernels in Singapore, Indonesia, Brunei and other countries. The firm registered revenue of Rs.19.13 crore from April 2017 to January 2018 (Provisional).

Weaknesses

Average financial risk profile

The average financial risk profile is marked by low net worth, high gearing and modest debt protection measures. The net worth levels stood at Rs.0.84 crore as on 31 March, 2017 as compared to Rs.0.73 crore in the previous year. The gearing levels remained high at 5.43 times in FY2017 as against 1.48 times in FY2016. This was due to debt funded working capital requirements. The firm has short term debt of Rs.4.36 crore and long term debt of Rs.0.22 crore. The Interest Coverage levels increased to 2.04 times in FY2017 from 1.93 times in FY2016 due to increase in operating profitability. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times in FY2017.

Working capital intensive operations

The operations are working capital intensive as reflected in the high Gross Current Asset (GCA) of 172 days as on 31 March, 2017 as against 80 days as on 31 March, 2016 due to high debtor and inventory days. The Inventory days in FY2017 stood at 75 compared to 67 in FY2016 since NT imports majority of raw cashew nuts. The receivable days in FY2017 stood at 62 compared to 4 in FY2016. This is due to an

increase in the number of transactions during the year end.

Volatility in forex rates affecting margins

The operating margins have been volatile due to fluctuations in raw material prices and exposure to foreign currency fluctuations in the absence of systematic hedging mechanism. The firm is further constrained by the intense competition in the highly fragmented cashew industry with low product differentiation limiting pricing flexibility.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of NT to arrive at the rating.

Outlook – Stable

SMERA believes that NT will maintain a Stable outlook over the medium term owing to its promoter's extensive industry experience. The outlook may be revised to 'Positive' if the firm reports increase in operating revenue and sustains cash accruals thus leading to steady improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in its capital structure.

About the rated entity- Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	12.30	6.06	9.40
EBITDA	Rs. Cr.	0.51	0.35	0.46
PAT	Rs. Cr.	0.18	0.12	0.17
EBITDA Margin	(%)	4.17	5.73	4.91
PAT Margin	(%)	1.44	1.96	1.80
ROCE	(%)	12.10	16.11	44.19
Total Debt/Tangible Net Worth	Times	5.43	1.48	2.07
PBDIT/Interest	Times	2.04	1.93	1.75
Total Debt/PBDIT	Times	8.62	2.98	2.83
Gross Current Assets (Days)	Days	172	80	91

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

Not Applicable.

Rating History (Upto 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.90	SMERA B+/ Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.45	SMERA A4 (Assigned)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.05	SMERA A4 (Assigned)

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ABOUT SMERA

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