

Press Release

Shree Vinayaka Exports

16 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 20.00 crore bank facilities of Shree Vinayaka Exports. The outlook is '**Stable**'.

Established in 2013, Shree Vinayaka Exports is a Karnataka based partnership firm promoted by Mr. H. Sudhir Nayak. The firm is engaged in processing of cashew nuts with manufacturing capacity of 12 metric tons per day.

Key Rating Drivers

Strengths

• Experienced management

SVE is promoted by Mr. H. Sudhir Nayak having an experience of over three decades in the cashew industry. He is supported by Mr. H. Karthik Nayak and Mr. H. Panduranga Nayak both having an experience of over a decade in the said industry.

• Moderate scale of operations and profitability

SVE registered revenues of Rs.53.23 crore in FY2017 as against Rs.41.91 crore in FY2016. Further, the firm has reported revenues of Rs.62.00 crore for the period April to February, 2018. The operating margins improved to 8.18 per cent in FY2017 from 7.06 per cent in FY2016. SMERA believes that SVE will sustain growth in the scale of operations over medium term on the back of promoters' extensive experience in the industry.

Weaknesses

• Average financial risk profile

SVE has moderate financial risk profile marked by net worth of Rs.7.89 crore as on 31 March, 2017 and Rs.7.17 crore as on 31 March, 2016. The firm has gearing (debt-equity) of 2.92 times as on 31 March, 2017 as against 3.01 times as on 31 March, 2016. The total debt of Rs.23.03 crore as on 31 March, 2017 comprises of term loan of Rs.8.15 crore, working capital borrowings of Rs.14.80 crore and unsecured loan of Rs.0.08 crore. The Interest Coverage Ratio (ICR) improved to 1.69 times in FY2017 as against 1.04 times in FY2016.

• Working capital intensive operations

The operations of the firm are working capital intensive marked by Gross Current Assets (GCA) of 139 days in FY2017 as against 148 days in FY2016. This is mainly due to high inventory of 137 days and debtors outstanding of 10 days as on 31 March, 2017 as against 143 days and 12 days in the previous year respectively.

• Susceptible to raw material price fluctuation and competitive industry

The primary raw material- raw cashew nut, being an agro product has seasonal availability and its production is vulnerable to climatic changes, thus leading to fluctuations in its prices. The profitability of the firm thus remains susceptible to fluctuations in the prices of raw material and its availability. Also, it operates in a highly fragmented cashew industry with limited entry barriers wherein the presence of large number of organised and unorganised players limit the bargaining power with customers.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of substantial growth in revenues or operating margins resulting in improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or profitability or in case of further deterioration in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.23	41.91	43.29
EBITDA	Rs. Cr.	4.35	2.96	3.05
PAT	Rs. Cr.	0.62	-0.54	-0.44
EBITDA Margin	(%)	8.18	7.06	7.05
PAT Margin	(%)	1.17	-1.29	-1.02
ROCE	(%)	11.99	8.27	18.67
Total Debt/Tangible Net Worth	Times	2.92	3.01	4.01
PBDIT/Interest	Times	1.69	1.04	1.11
Total Debt/PBDIT	Times	5.21	7.18	6.08
Gross Current Assets (Days)	Days	139	148	93

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <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>

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB- / Stable

Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+
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ABOUT SMERA

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