

Press Release

Panchakshari Cashews

25 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.02 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as SMERA B) on the Rs. 8.02 crore bank facilities of Panchakshari Cashews. The outlook is '**Stable**'.

Panchakshari Cashews (PC) was established in June 2017 by Mrs. Shalini Raghuram. The firm is engaged in processing of cashews with an installed capacity of 5 tons per day (tpd). The manufacturing facility is located in Udupi district of Karnataka. PC imports its raw material from African countries and caters to the local retailers in Karnataka and Maharashtra.

Key Rating Drivers

Strengths

- **Experienced Management**

The proprietor of the firm Mrs. Shalini Raghuram has experience around 5 years in trading of cashews and other food products

Weaknesses

- **Presence in competitive and fragmented industry**

The firm operates in highly competitive cashew processing industry with intense competition from several organised and unorganised player which limits the bargaining power of the company.

- **Susceptibility of profitability margins to volatility in raw material prices and agro climatic risk**

The main raw material being an agricultural produce, the availability and pricing of the same depends upon various factors such as monsoon during the year, area under cultivation, demand-domestically and internationally along with various other factors. The operating margins of PC are susceptible to volatile cashew prices. Rise in prices will affect the operating margins unless the same is passed on to the customers.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of PC.

Outlook: Stable

SMERA believes that PC will benefit over the medium term from the promoters experience in the agro industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while stabilizing its commercial operations efficiently. 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 working capital requirements.

About the Rated Entity - Key Financials

NA

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

NA

Any other information

NA

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	SMERA B/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.77	SMERA B/Stable

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