

Press Release

Panchakshari Cashews (PC)

March 18, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 12.02 Cr. (Enhanced from Rs.8.02 crore)
Long Term Rating	ACUITE B/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 8.02 crore and assigned the long term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.4.00 crore of bank facilities of Panchakshari Cashews (PC). The outlook is '**Stable**'.

PC was established in June 2017 by Mrs. Shalini Raghuram. The proprietary 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.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of PC to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The proprietor 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.

Liquidity Position:

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs.0.19 crore in FY2017-18, while its maturing debt obligations were of Rs.0.25 crore in FY2017-18. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 720 in FY 2018. This has led to higher reliance on working capital borrowings. The working capital limit of the group remains utilised at 80-90 percent during the last 6 months period ended December 2018.

Outlook: Stable

Acuite believes that PC will maintain 'Stable' outlook over the medium term from the promoter's experience in the agro industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while stabilising 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

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	2.26
EBITDA	Rs. Cr.	0.57
PAT	Rs. Cr.	(0.20)
EBITDA Margin	(%)	25.28
PAT Margin	(%)	(9.09)
ROCE	(%)	4.50
Total Debt/Tangible Net Worth	Times	3.36
PBDIT/Interest	Times	1.49
Total Debt/PBDIT	Times	10.75
Gross Current Assets (Days)	Days	720

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-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
25-Apr-2018	Cash Credit	Long Term	6.25	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	1.77	ACUITE B/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE B/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.77	ACUITE B/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B/Stable (Assigned)

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About Acuité Ratings & Research:

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