

Press Release

Asian Firdaus cashews

May 17, 2018

Rating Assigned



| | |
|-------------------------------------|---------------------------------|
| Total Bank Facilities Rated* | Rs. 10.50Crore |
| Long Term Rating | SMERA B+ / Stable (Assigned) |
| Short Term Rating | SMERA A4 (Assigned) |

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B+**' (**read as SMERA B plus**) and the short term rating of '**SMERA A4**' (**read as A four**) to the above mentioned bank facilities of Asian Firdaus Cashews. The outlook is '**Stable**'.

Established in 1995, Asian Firdaus Cashews (AFC) is a Kollam (Kerala) based proprietorship firm engaged in processing and trading of cashew kernels. The firm was promoted by Mr. S Pillai who has over a decade of experience in the same line of business.

Key Rating Drivers

Strengths

- **Experienced management**

Established in 1995, established Asian Firdaus Cashews (AFC) is a Kollam (Kerala) based proprietorship firm engaged in processing and trading of cashew kernels. The firm was promoted by Mr. S Pillai who has over a decade of experience in the cashew processing business. Currently the business is managed by Mr. S Pillai and Mr. Shinas Asanarupillai (son of Mr. S Pillai). Over the years, the firm has been able to establish comfortable relationships with their key suppliers and customers.

- **Increase in operating income**

The scale of operations increased to Rs. 35.63 crores in FY2017 as against Rs. 23.87 crores in FY2016 thereby registering a healthy growth of 49.24 per cent in FY2016-17. The rise in operating income is mainly due to high demand from domestic markets. In the current financial year, firm has achieved revenue of around Rs. 50.00 crores till February'2018 (prov).

Weakness

- **Thin profitability margins**

The profitability of the firm is low on account of trading of raw cashew nuts which constituents ~ 40% of the total revenue. The operating margins stood at 2.80 per cent for the FY2017 as against 2.72 per cent in the previous year. In FY 2017 the net profit margins stood at 0.46 per cent as compared to 0.47 per cent in FY2016.

- **Modest financial risk profile**

The financial risk profile of the firm is marked by moderate net worth, high gearing and modest debt protection measures. In FY 2017, the net worth levels of the firm have increased to Rs.4.16 crores as on March 31, 2017 from Rs. 2.88 crores in the previous year. The increase in net worth is primarily on account of capital infusion of Rs. 1.15 crore. The gearing levels (debt to equity ratio) of the firm is high and stood at 2.11 times as on March 31, 2017 as against 2.14 times as on March 31, 2016. The total debt of Rs. 8.80 crore as on March 31, 2017 consists of packing credit of Rs. 8.00 crore, term loan of Rs. 0.09 crores, vehicle loan of Rs. 0.11 crore and unsecured loans from relatives of Rs. 0.60 crore. The interest coverage ratio (ICR) stood at 1.34 times and debt service coverage ratio (DSCR) at 1.34 times as on March 31, 2017 as compared to ICR at 1.43 times and DSCR at 1.43 times on March 31, 2016.

- **Working capital intensive operations**

AFC's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 160 in FY2017 compared to 162 in FY2016. The GCA days are mainly dominated by high inventory days of 148 in FY2017 compared to 118 in FY2016. The average working capital utilization for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Outlook- Stable

SMERA believes that AFC will remain 'Stable' on account of its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the entity achieves higher than expected revenues or profits while improving its financial risk profile. The outlook may be revised to 'Negative' in case of significant decline in firm's revenue or profits or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

Analytical Approach:

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

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 35.63 | 23.87 | 21.33 |
| EBITDA | Rs. Cr. | 1.00 | 0.65 | 0.48 |
| PAT | Rs. Cr. | 0.17 | 0.11 | 0.11 |
| EBITDA Margin | (%) | 2.80 | 2.72 | 2.24 |
| PAT Margin | (%) | 0.46 | 0.47 | 0.50 |
| ROCE | (%) | 8.25 | 7.26 | 12.17 |
| Total Debt/Tangible Net Worth | Times | 2.11 | 2.14 | 1.84 |
| PBDIT/Interest | Times | 1.34 | 1.43 | 1.64 |
| Total Debt/PBDIT | Times | 8.83 | 9.49 | 8.86 |
| Gross Current Assets (Days) | Days | 160 | 162 | 93 |

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

None

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition -<https://www.smera.in/criteria-default.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 |
|------------------------|------------------|-------------|---------------|-------------------------------|-----------------------------|
| Cash Credit | NA | NA | NA | 2.50 | SMERA B+/ Stable (Assigned) |
| Packing Credit | NA | NA | NA | 8.00 | SMERA A4 (Assigned) |

Contacts:

| Analytical | Rating Desk |
|---|--|
| Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Bhumika Jain Senior Rating Analyst Tel: 080-46634634 Email: bhumika.jain@smera.in | |

ABOUT SMERA

ABOUT SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.