

Press Release

Pruthwi Exports

June 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE B+**' (**read as ACUITE B Plus**) to the Rs.8.75 crore bank facilities of Pruthwi Exports (PE). The outlook is '**Stable**'.

Established in 2017, Pruthwi Exports (PE) is a partnership firm involved in the processing of plain cashew kernels from raw cashew nuts (RCNs); the firm started commercial operations in April 2018. The firm procures majority of its raw material via imports from Benin, Tanzania and Ivory Coast. The RCNs are processed at the firm's manufacturing facilities at Udupi (Karnataka) with the processing capacity of 2025 metric tonnes per annum (TPA); majority of its revenues are in the domestic market of Karnataka, Rajasthan and Maharashtra. The firm is promoted by Mr. Shankar Hedge, Mrs. Poornima S hedge and Mrs. Bhoomika Hedge.

Key Rating Drivers

Strengths:

- **Longstanding presence in the cashew-processing industry**

Mr. Shankar Hedge has long operational track record of more than two decades in cashew-processing industry which benefits the firm to build relationship with suppliers, resulting in ease of procurement of RCNs and helps in revenue growth. Mr. Shankar Hedge is also an active partner in a firm named Favourite Cashew which was established in 2008 and engaged in same line of business. This new firm was promoted based on that experienced and a plant was set up at a project cost of about Rs.2.75 crore, funded out of term loan of Rs.1.75 crore and balance funded out of promoters' funds.

- **Favourable domestic demand prospects**

The consumption of cashew is on the rise in the country, particularly as an ingredient in various food products. In the domestic market, cashew kernels are fetching at a higher price than the international market price.

Weaknesses:

- **Nascent stage of operations**

The firm has started operations in April 2018 and the stability of operations would remain a key monitorable.

- **Working intensive nature of its operations**

Working capital cycle is estimated to be driven by large inventory of 3-4 months. With low accruals and high incremental working capital requirements, the dependence on the bank facilities is expected to remain high. The gearing (debt-to-equity) and total outside liabilities to total networth of the firm is expected to be high at over 2.0 and 3.0 times respectively over the medium term. Acuité believes that the operations of the firm continue to be working capital intensive due to seasonal availability of RCN, though underpinned by healthy receivable position in the industry.

- **Intense competition and forex risk**

The firm operates in a highly competitive industry with the presence of a large number of small-scale units in India. The lack of product differentiation and intense competition restricts the bargaining position and pricing flexibility of the firm. The firm is importing a major portion of raw materials from

Africa, hence, the firm is exposed to volatility in movements in exchange rates due to absence of hedging.

- **Inherent risks associated with the partnership nature of the business**

The firm is exposed to risks associated with partnership firms including capital-withdrawal risks that could adversely impact the capital structure.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of Pruthwi Exports to arrive at this rating.

Outlook: Stable

Acuité believes that the outlook on Pruthwi Exports will remain 'Stable' over the medium term on account of the experience of the promoter in the cashew processing industry. The outlook may be revised to 'Positive' in case the firm registers more-than-expected revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected inventory levels or lower-than-expected cash accruals resulting in stretch in its liquidity.

About the Rated Entity - Key Financials

Not Applicable as the firm has just commenced its commercial operations.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE B+/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+/ Stable (Assigned)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Bhavani Sankar Oruganti Sr. Rating Analyst - Rating Operations Tel: +91 40-4005 5452 bhavanisankar.orunganti@acuiteratings.in	

About Acuité Ratings & Research:

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