

Press Release

Pruthwi Exports

September 05, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on 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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PE to arrive at the rating.

Key Rating Drivers

Strengths

- **Long experience of the promoters in cashew-processing industry**

Mr. Shankar Hedge has long operational track record of more than two decades in the cashew-processing industry, which has benefit the firm to build relationship with suppliers, resulting in ease of procurement of RCNs and aid 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 experience 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 in the country is on a rise; particularly as an ingredient in various food products. In the domestic market, cashew kernels are fetching higher prices than the international market price.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of the company is below average marked by modest networth, high gearing and modest debt protection metrics. The net worth levels of the company stood at Rs. 1.41 crore as on 31 March, 2019 (Provisional), due to nascent stage of operations. The gearing stood at 2.99 times as on 31 March, 2019 (Provisional). The total debt of Rs. 4.21 crore comprises term loan of Rs. 1.51 crore and working capital borrowing of Rs.2.71 crore as on 31 March, 2019 (Provisional). The interest coverage ratio (ICR) stood at 1.68 times in FY2019 (Provisional). The debt service coverage ratio (DSCR) stood at 1.42 times in FY2019 (Provisional). The total outside liabilities to tangible networth (TOL/TNW) stood at 3.05 times in FY2019 (Provisional).

• **Working intensive nature of its operations**

Working capital cycle is high driven by large inventory of 3-4 months. With low accruals, and high incremental working capital requirements, the dependence on bank facilities is expected to remain high. Acuité believes that the operations of the firm continues to be working capital intensive due to seasonal availability of RCN, though underpinned by healthy receivable position.

• **Intense competition and forex risk**

The firm operates in a highly competitive industry, with the presence of a large number of small-scale and cottage 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; 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.

Liquidity Position

PE has adequate liquidity marked by net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.44 crore during the year 2019, while its maturing debt obligations were Rs. 0.24 crore over the same period. The cash accruals of the firm are estimated to remain around Rs. 0.60 crore – Rs. 1.02 crore during 2020-22, while its repayment obligations are estimated to be around Rs. 0.24 crore. The firm's operations are working capital intensive as marked by Gross Current Assets (GCA) of 118 days in FY2019(Provisional). The current ratio of the firm stood healthy at 1.68 times as on March 31, 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accrual and no major repayments over the medium term.

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 significant growth in its 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

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 10.61 | NA | NA |
| EBITDA | Rs. Cr. | 1.08 | NA | NA |
| PAT | Rs. Cr. | 0.12 | NA | NA |
| EBITDA Margin | (%) | 10.21 | NA | NA |
| PAT Margin | (%) | 1.16 | NA | NA |
| ROCE | (%) | 13.72 | NA | NA |
| Total Debt/Tangible Net Worth | Times | 2.99 | NA | NA |
| PBDIT/Interest | Times | 1.68 | NA | NA |
| Total Debt/PBDIT | Times | 3.89 | NA | NA |
| Gross Current Assets (Days) | Days | 118 | NA | NA |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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 |
|--------------|---------------------------------|-----------|------------------|-------------------------------|
| 26-June-2018 | Cash Credit | Long Term | 7.00 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 1.75 | ACUITE B+ / Stable (Assigned) |

***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 | 7.00 | ACUITE B+/ Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.75 | ACUITE B+/ Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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