

## Press Release

### Yaksha Krupa Cashew Industries

July 12, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.90 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 6.90 crore bank facilities of Yaksha Krupa Cashew Industries. The outlook is '**Stable**'.

Established in August 2016 by Mr. Prafullaraj Shetty, Yaksha Krupa Cashew Industries (YKCI) is a partnership firm engaged in processing of raw cashew nuts (RCNs) into cashew kernels. The firm imports raw cashew nuts from African countries, processes them in its manufacturing facility located at Udipi (Karnataka), having an aggregate installed capacity to process 3.5 metric tonnes per day (tpd). The entity sells the cashew kernels in the domestic market.

### Key Rating Drivers

#### Strengths

- **Stabilisation in processing operations due to experienced Promoter**

Promoted by Mr Prafullaraj Shetty, YKCI started commercial operations in August 2016; the promoter has been in the cashew industry for nearly a decade. Promoter's vintage in the industry helped in early stabilisation of the operations. In the first eight months of operations in FY2016, the firm has reported revenues of Rs.1.43 crore, and the same have improved to Rs.6.62 crore in FY2018 (Provisional). Acuite believes that the revenues are expected to be in the range of Rs.10.0 - 12.0 crore over the medium term supported by moderate business trend for cashew and the promoter's experience.

#### Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive as evident from Gross Current Asset (GCA) days of 255 as on March 31, 2018 (Provisional). The working capital is majorly in the form of inventory; high inventory is to maintain adequate stock across the product varieties to meet the customer demand, besides seasonal availability. The firm offers credit period of about 30 days to its customers. Higher inventory holding lead to high utilisation of its bank lines at 90 percent over the past six months through April 30, 2018. Acuite believes that with the expected growth in revenues over the medium term, the operations continue to be working capital intensive.

- **Below-average financial risk profile**

The financial risk profile is marked by modest net worth, gearing (debt-to-equity) and debt protection metrics. The net worth is modest at Rs.1.01 crore as on March 31, 2018 (Provisional). Gearing is high at 5.46 times as of March 31, 2018 (Provisional). Also, debt protection metrics are modest with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 1.39 times and 0.03 times respectively for FY2018 (Provisional). As there is no significant capex envisaged over the medium term and with improving revenues requiring higher working capital, Acuite believes that the financial risk profile continues to be at similar levels over the medium term.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the YKCI to arrive at this rating.

### Outlook: Stable

Acuite believes that the outlook of YKCI will remain 'Stable' over the medium term owing to the promoter's experience in the industry. The outlook may be revised to 'Positive' if the firm achieves more than expected revenues while improving its working capital management and capital structure by equity infusion. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to stretch in its liquidity.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)
Operating Income	Rs. Cr.	1.43
EBITDA	Rs. Cr.	0.59
PAT	Rs. Cr.	0.00
EBITDA Margin	(%)	41.20
PAT Margin	(%)	0.28
ROCE	(%)	9.84
Total Debt/Tangible Net Worth	Times	4.59
PBDIT/Interest	Times	2.13
Total Debt/PBDIT	Times	7.94
Gross Current Assets (Days)	Days	883

### 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)

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	5.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE B / Stable

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### About Acuite Ratings & Research:

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