

Press Release

Yaksha Krapa Cashew Industries

July 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.90 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**) on the Rs. 6.90 crore bank facilities of Yaksha Krapa Cashew Industries. The outlook is '**Stable**'.

Established in August 2016 by Mr. Prafullaraj Shetty, Yaksha Krapa 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 Udupi (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). Acuité 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. Acuité 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, Acuité believes that the financial risk profile continues to be at similar levels over the medium term.

Analytical Approach

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

Outlook: Stable

Acuité 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

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
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 sethu.madhav@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.