

Press Release

Premier Cashew Products

November 30, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 7.00 crore bank facilities of Premier Cashew Products (PCP). The outlook is '**Stable**'.

Established in 2018 as a partnership firm, PCP is engaged in processing of raw cashew nuts into cashew kernels. Based in Udupi (Karnataka), the company is promoted by Mr. Mahesh and Mr. Raghurama. H. The entity is setting up a cashew processing unit with installed capacity of 7,000 Kgs Per Day. The commercial production is expected to start from December 2018.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and assured offtake**

The Promoter, Mr. Raghurama. H is a chartered accountant having experience of around two decades in practicing and Mr. Mahesh has around a decade of experience working as Manager in various processing industries. The manufacturing unit has been set up at a project cost of Rs.3.55 crore located in Udupi (Karnataka) which has various cashew processing units. The unit is expecting to start commercial production from December 2018. The entity is currently importing machinery, which would ensure the product offtake in the near term. Acuite believes that the firm will benefit from the promoters' experience.

Weaknesses

- **Nascent stage of operations**

Currently, the project is in final stages and is expecting moderate business volumes once its commercial operations will start around December 2018. Acuite believes that successful completion of installations and healthy inflow of business orders are key rating sensitivity factors over the near to medium term.

- **Below-average financial risk profile**

The financial risk profile is marked by high gearing of above 2.0 times over the medium term attributed to debt-funded capital expenditure undertaken by the entity. The company has set-up cashew processing unit at a project cost of Rs.3.55 crore at a debt to equity ratio of 75:25. The project is funded out of term loan of Rs.2.67 crore and balance out of promoters' capital. The operations are supported by work capital loan of Rs.4.00 crore and Rs.2.00 crore further infused by promoters. As the operations are at nascent stage, financial risk profile is expected to be at similar levels over the medium term.

Outlook: Stable

Acuite believes that the outlook on PCP will remain 'Stable' over the medium term on account of the experience of the promoters in the various processing industries. The outlook may be revised to 'Positive' in case the firm registers expected revenue. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

The commercial operations are yet to commence.

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>
- 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.67	ACUITE B / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE B / Stable

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About Acuité Ratings & Research:

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