

Press Release

Mahavir Cashew Industries

December 24, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 20.00 crore bank facilities of Mahavir Cashew Industries. The outlook is '**Stable**'.

The group promoted by Mr. Nilesh Savla and his wife Mrs. Bharti Savla commenced its operations with the establishment of Mahavir Trading Company in the year 2011. The firm is engaged in the trading of Cashews (95%) and balance is Almonds and Pistachio. Cashews for trading are procured from Mahavir Cashew Industries- Sister concern (35-40%) and the balance is procured from all over India. The customers are primarily the wholesalers, retailers and sweet manufacturers spread primarily across Maharashtra and Gujarat. MTC supplies cashews in the Domestic market via network of Brokers with Dmart being its major customer.

Later on in February, 2016 Mahavir Cashew Industries was set up as a partnership firm headed by Mr. Nilesh Savla, Mrs. Bharti Savla and Mr. Piyush Gogri. The firm is engaged in the processing of cashew kernels. Its partners Mr. Nilesh Savla and Mrs. Bharti Savla have been in the business of trading cashews since the past 7 years. The firm has two units located in Sawantwadi, Sindhudurg (Maharashtra) and PO Halkarni, Chandgarh District in Kolhapur (Maharashtra). The total capacity of both the units is 12 tons of raw nuts per day and 3.5 tons of finished cashew nuts per day.

Analytical Approach

Acuité has consolidated the financial and business risk profiles of Mahavir Cashew Industries and Mahavir Trading Company, together referred to as Mahavir Group on account of high operational fungibility between the entities and common ownership. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced Management**

The group is promoted by Mr. Nilesh Savla and his wife Mrs. Bharti Savla who possesses more than a decades experience in the trading business. The experience of the family in the dryfruit segment has helped the firm maintain healthy relations with its customers and suppliers which help the firm get repeat orders.

- **Moderate Financial Risk Profile**

The financial risk profile of the group is moderate marked by a net worth of Rs.15.64 crore which includes unsecured loans of Rs. 8.39 crore as quasi-equity as they are subordinated to bank debt as on 31 March 2018. The gearing stood at 1.33 times as on 31 March, 2018 against 1.26 as in 31 March 2017. The total debt of Rs. 20.83 crore outstanding as on 31 March, 2018 comprises long term debt of Rs. 0.38 crore and working capital borrowings of Rs. 20.45 crore from the bank. The ICR stood at 1.57 times in FY2018 against 1.47 times in FY2017. The Net Cash Accruals stood at Rs.1.94 crore in FY2018. The NCA/TD ratio stood at 0.09 times in FY 2018 and FY2017. Going ahead, Acuité believes the group will continue to maintain its debt protection metrics on account of low long term debt obligations, infusion of capital and presence of quasi equity.

- **Growth in Revenue**

The group has reported healthy revenue growth with compounded annual Growth (CAGR) of 18 per cent during the period FY2015 to FY2018. Operating income improved to Rs. 83.07 crore for FY2018

against Rs. 75.02 crore in FY2017. Established relationship with its customers provides revenue visibility.

Weaknesses

- **Moderate working capital management**

The working capital management is marked by gross current asset (GCA) days of 162 in FY2018 and 124 in FY2017. GCA days is mainly dominated by high inventory holding period of 104 days in FY2018 on account of the nature of cashew business. Receivables collection period stood at 24 days in FY2018 against 35 days in FY2017. The bank facilities on an average are fully utilized during the peak season.

- **Intense Competition**

The profitability of the firm is constrained by the intense competition in the highly fragmented cashew industry with low product differentiation limiting pricing flexibility. The major raw material in the processing of cashews is raw cashew kernels. The prices of cashew kernels are fluctuating. Acuité believes unless the firm is able to pass on these fluctuations to its customers, its margins are vulnerable to the prices of its raw materials.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook and benefit over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates and further increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	83.07	75.02	64.03
EBITDA	Rs. Cr.	5.01	3.79	1.93
PAT	Rs. Cr.	0.80	0.52	0.35
EBITDA Margin	(%)	6.03	5.05	3.01
PAT Margin	(%)	0.96	0.69	0.54
ROCE	(%)	13.80	16.47	15.96
Total Debt/Tangible Net Worth	Times	1.33	1.26	0.12
PBDIT/Interest	Times	1.57	1.47	1.25
Total Debt/PBDIT	Times	3.97	3.10	0.89
Gross Current Assets (Days)	Days	162	124	144

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	16.00	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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