

Press Release

Sahyadri Cashew Processors

D-U-N-S® Number: 91-617-7988

March 11, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.00 crore bank facilities of Sahyadri Cashew Processors (SCP). The outlook is '**Stable**'.

SCP is a Karnataka based partnership concern established in 1978 by Mr. M. V. Prabhu and 3 others. The firm is engaged in processing of raw cashew nuts to cashew kernels at its unit in Kumta (Karnataka). The unit has installed capacity to process 5 tons of raw cashew nuts per day.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

SCP is promoted by Mr. M. V. Prabhu who possess around three decades of experience in the processing of raw cashew nuts. SCP has a competent management supported by a team of well qualified and experienced second line personnel. The entity has established relationship with customers and suppliers over the past three decades which led to stable revenue profile of ~Rs.19.00 crore over the past three years. Acuite believes that SCP enjoys the benefit of the promoter's experience and established relationship with customers and suppliers to improve the business risk profile over the medium term.

• Comfortable financial risk profile

The financial risk profile is marked by comfortable total outside liabilities to total net worth (TOL/TNW), gearing (debt-to-equity) and debt protection metrics though constrained by modest net worth levels. TOL/TNW is comfortable at 0.12 times in FY2018 as compared to 0.12 times in FY2017. Gearing is comfortable at 0.09 times in FY2018 as compared to 0.10 times in FY2017. The net worth is modest at Rs.6.44 crore as on 31 March, 2018 compared to Rs.6.08 crore as on 31 March, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood comfortable at 3.10 times and 0.41 times respectively for FY2018. Acuite believes that the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

• Moderate working capital operations

SCP has moderate working capital operations as evident from Gross Current Assets (GCA) of 125 days as on March 31, 2018 as against 125 days as on March 31, 2017. The inventory days stood at 66 in FY2018, since the company maintains inventory of around three months. The debtor days stood at 30 as on March 31, 2018 and provides credit period of 30 days to its customers. Moderate working capital management has led to moderate utilisation of working capital limits over the past six months ended November 2018 to the extent of 60 percent. Acuite believes that the working capital operations will remain moderate over the medium term due to stable revenue profile.

• Modest scale of operations in the highly-fragmented industry and declining profitability

SCP's revenues are modest in the highly fragmented cashew processing industry. Its revenues are at Rs.19.63 crore in FY2018 as compared to Rs.18.37 crore in FY2017 and remained around Rs.19.00 crore over the past three years. The industry is dominated by several organised and unorganised players with healthy revenues. Also, with commoditised nature of supplies, intense competition and reputed clientele, SCP faces pricing flexibility and the margins have sharply declined to 2.17 percent in FY2018 from 8.69 percent in FY2016. Acuite believes that sustaining the profitability while improving its revenues are key rating sensitivity factors.

Liquidity Profile:

SCP has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.23 crore in FY2018. Cash accruals of SCP are estimated to remain around Rs.0.25 to 0.60 crore during 2019-21, while its repayment obligations are nil over the medium term. The firm's operations are moderately working capital intensive as marked by Gross Current Assets (GCA) of 125 days in FY 2018. This has led to high reliance on working capital borrowings which were utilised at 90 percent during the last 6-month period ended October 2018. The current ratio of the SCP stood at 33.51 times as on March 31, 2018. Acuite believes that the liquidity is expected to be at similar levels in the absence of any significant capex plans.

Outlook: Stable

Acuite believes that SCP will maintain a 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' in case of improvement of profitability while maintaining growth in the revenues. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.63	18.37	19.52
EBITDA	Rs. Cr.	0.43	1.60	1.66
PAT	Rs. Cr.	0.16	0.85	0.89
EBITDA Margin	(%)	2.17	8.69	8.49
PAT Margin	(%)	0.83	4.61	4.57
ROCE	(%)	5.19	22.13	44.71
Total Debt/Tangible Net Worth	Times	0.09	0.10	0.37
PBDIT/Interest	Times	3.10	4.22	4.54
Total Debt/PBDIT	Times	1.32	0.38	1.13
Gross Current Assets (Days)	Days	125	125	121

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	4.20	ACUITE B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
<p>Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in</p> <p>Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 bhavanisankar.oruganti@acuite ratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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