

Press Release

Sahyadri Cashew Processors

June 14, 2021

Rating Reaffirmed & Withdrawn



Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE B+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE single B plus**) on the Rs.8.00 crore bank facilities of Sahyadri Cashew Processors (SCP). The outlook is '**Stable**'.

Acuité has withdrawn the long-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.3.00 crore bank facilities of Sahyadri Cashew Processors (SCP).

About the Firm

Established in the year 1978, SCP is a Kumta, Karnataka based partnership firm. The firm is promoted by Mr. M.V. Prabhu, Mrs. Prabha Prabhu along with others. The firm is engaged in processing of raw cashew nuts to cashew kernels. The firm has installed capacity to process 5 tons of raw cashew nuts per day. The capacity utilization was at 80 percent in FY2021.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SCP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management, established track record of operations, steady revenues and profitability margins**

SCP is promoted by Mr. Murali V Prabhu, Mrs. Prabha Prabhu along with others. The partners of the firm have been engaged in the business line for more than three decades. The extensive experience of the partners has helped in establishing healthy relationships with its customers and suppliers which has led to stable revenue profile. The scale of operations remained steady at Rs.13.31 Cr in FY2021 (Provisional) as against Rs.15.62 Cr in FY2020. The marginal decline in revenues is on account of Covid-19 as the firm didn't operate for the months of April 2020 and May 2020. The profitability margins of the firm stood at 2.67 percent in FY2021 (Provisional) as against 2.88 percent in FY2020. Acuité believes that the firm will benefit from the experienced management and established track record in the aforementioned industry.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the firm has remained moderate with moderate capital structure and debt protection metrics. The networth of the firm stood at Rs.5.56 Cr as on March 31, 2021 (Provisional) as against Rs.5.77 Cr as on March 31, 2020. The withdrawal of partners' capital from the business has led to decline in the networth level. Gearing (Debt-to-Equity) stood at 0.32 times and 0.45 times as on March 31, 2021 (Provisional) and 2020 respectively. Interest coverage ratio and debt service coverage ratio stood at 1.48 times and 1.45 times as on March 31, 2021 (Provisional) and 2020 respectively. TOL/TNW stood at 0.35 times and 0.48 times as on March 31, 2021 (Provisional) and 2020 respectively. Acuité believes that financial risk profile of the firm is expected to remain moderate owing to moderate accretion to reserves and absence of any debt funded capex plans in the medium term.

• Working capital intensive operations

The working capital management of the firm remained intensive with Gross Current Assets (GCA) days of 192 days as on March 31, 2021 (Provisional) as against 186 days as on March 31, 2020. The increase in GCA days is on account of increase in inventory days. The inventory days stood at 159 days and 136 days as on March 31, 2021 (Provisional) and 2020 respectively. Debtor days stood at 30 days and 46 days as on March 31, 2021 (Provisional) and 2020 respectively. The average working capital limits utilized at 85 percent for the last six months ended May 2021. Acuite believes that SCP's working capital cycle will remain moderate over the medium term.

Rating Sensitivities

- Lower-than-expected revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity
- Withdrawal of Capital by partners

Liquidity Position: Adequate

The liquidity position of the firm has remained adequate with adequate net cash accruals to service its debt obligations. The firm has generated cash accruals of Rs.0.12 Cr in FY2021 (Provisional) against nil debt repayment obligation. The cash accruals of the firm are expected to be in the range of Rs.0.19-0.24 Cr for FY2022-2024 against nil debt repayment for the same period. Current ratio of the firm stood at 10.68 times as on March 31, 2021 (Provisional). Cash and Bank balance stood low at Rs.0.02 Cr as on March 31, 2021 (Provisional). Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuite believes that SCP will continue to benefit over the medium term due to its experienced management and established relationships with its suppliers and customers. The outlook may be revised to 'Positive', in case of higher-than-expected revenues and profitability with improvement in working capital management and liquidity. Conversely, the outlook may be revised to 'Negative' in case SCP registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or any major debt-funded capex plan leads to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	13.31	15.62
PAT	Rs. Cr.	0.05	0.07
PAT Margin	(%)	0.37	0.43
Total Debt/Tangible Net Worth	Times	0.32	0.45
PBDIT/Interest	Times	1.48	1.45

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

None

Any Material Covenants

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
25-Mar-20	Cash Credit	Long Term	4.20	ACUITE B+/ Stable (Reaffirmed)
	PC/PCFC	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Bill Discounting	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Cash Credit	Long Term	0.80	ACUITE B+/Stable (Reaffirmed)
11-Mar-19	Cash Credit	Long Term	4.20	ACUITE B+/ Stable (Assigned)
	PC/PCFC	Short Term	2.00	ACUITE A4 (Assigned)
	Bill Discounting	Short Term	1.00	ACUITE A4 (Assigned)
	Proposed Cash Credit	Long Term	0.80	ACUITE B+/Stable (Assigned)

***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	6.00 (Enhanced from Rs.4.20 Cr)	ACUITE B+/ Stable (Reaffirmed)
PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Withdrawn)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Withdrawn)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00 (Enhanced from Rs.0.80 Cr)	ACUITE B+/ Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in Nagidi Bhavani Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research 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 8,446 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, Acuité's rating scale and its definitions.*