

**Press Release**  
**Gayathri Exports**  
**October 21, 2022**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB+   Positive   Reaffirmed   Stable to Positive	-
Bank Loan Ratings	39.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	57.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its **long term rating of 'ACUITE BB+' (read as ACUITE double 'B Plus')** and **short term rating of 'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.57.00 Cr bank facilities of Gayathri Exports (GE). The outlook is revised to **'Positive'** from **'Stable'**.

**Rationale for the reaffirmation and revision of the outlook**

The revision in outlook is primarily driven by the sustained improvement in its scale of operations marked by the improvement in the profitability margins and financial risk profile of the firm. GE has been able to sustain its operations in the FY2022 on the back of continuous and repetitive orders from domestic and international customers and has recorded operating income of Rs.149.17 Cr in FY2022 (Prov) as against Rs.99.47 Cr in FY2021. GE has remained resilient and demonstrated improvement in its profitability margins and recorded operating profit (EBITDA) margin and net profit margin of 8.91 per cent and 6.84 per cent respectively in FY2022 (Prov) as against 6.84 percent and 1.36 per cent, respectively, in FY2021. The interest coverage ratio has improved to 4.91 times as on March 31, 2022 (Prov) as against 2.39 times as on March 31, 2021 and debt service coverage ratio has improved to 3.32 times as on March 31, 2022 (Prov) as against 1.78 times as on March 31, 2021. The working capital management of the firm is moderate in nature as evident from GCA days of 76 days, thereby, resulting in moderate dependence on working capital limits with average utilization being around ~16.42 percent. The leverage position of the firm has improved as evident from the improvement in the gearing to 1.06 times as on March 31, 2022 (Prov) from 1.68 times as on March 31, 2021 on account of increase in long term debt. Net worth of the firm has improved and stood at Rs.24.04 Cr as on March 31, 2022 (Prov) as against Rs.18.17 Cr as on March 31, 2021.

The rating reaffirmation continues to take cognizance of the established track record, experienced management, moderate financial risk profile and working capital cycle. The rating, albeit, are constrained by risks of withdrawal of capital by partners and intense competition in the cashew processing industry.

**About the Firm**

Gayathri Exports (GE), established in the year 1995, is an Udupi (Karnataka) based partnership firm, primarily engaged in the processing of raw cashew nuts into cashew kernels as well as trading of raw cashew nuts and cashew kernels. GE is promoted by Mr. B. Prabhakar Kamath,

along with his sons- Mr. Srinivas Kamath and Mr. Prashanth Kamath

## **Analytical Approach**

Acuité has taken the standalone view of the business and financial risk profile of GE to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations across country, experienced management in cashew industry**

Gayathri Exports(GE) is a Karnataka-based partnership firm established in 1995. The firm engaged in the processing of raw cashew nuts into cashew kernels as well as trades raw cashew nuts and cashew kernels and other cashew allied products. Mr. Bola Prabhakar Kamath, has an extensive experience in the cashew processing industry for more than five decades. The firm is managed by Mr. Bola Prabhakar Kamath and his sons Mr. Bola Srinivas Kamath and Mr. Bola Prashanth Kamath. The extensive of all the partners and its long standing presence of the firm has enabled it in establishing strong ties with its key customers which also includes the Indian Army, which has resulted in repeat orders. The firm majorly imports the raw cashew nuts and also has established ties with its suppliers from Ivory Coast, Benin, Tanzania, etc. It also exports about ~16 percent (in FY2022) of its products to countries like USA, UAE, etc. Acuité believes that the partner's extensive industry experience in cashew industry, established relationships with its customers and suppliers will aid GE's business risk profile in medium term.

#### **Robust growth in operating Income and profitability Margins**

The operating income of GE has increased from Rs 99.47 Cr in FY2021 to Rs 149.17 Cr in FY2022(Prov) and EBIT margins improved from 6.80% in FY2021 to 12.46% in FY2022(Prov). Increase in sales in primarily due to increase in demand in domestic markets which had dropped due to covid-19 pandemic, has seen a sharp rebound post pandemic. The increase in demand is observed from Western India, specifically from Rajasthan and Gujarat markets where firm is receiving orders from customers engaged in sweets and confectionery and restaurant business. Firm also witnessed consistence rise in exports as well specially to countries like UAE, Singapore, Saudi Arabia, USA and Canada. GE is also involved in trading of raw cashew nuts, they maintain stock of raw cashew nuts, and when the price is high they realize certain amount of stock to make a profit, which has contributed for increase in overall profitability margins of the firm. Acuité believes that with an ongoing growth in demand in the industry backed by reputed clientele profile, the business risk profile of the firm is expected to improve over the medium term.

#### **Moderate financial risk profile**

GE's financial risk profile is moderate marked by healthy capital structure and coverage ratios GE's net worth stood moderate at Rs 24.04 Cr as on March 31, 2022(Prov) against Rs 18.17 Cr as on March 31, 2021. The EBITDA margins of the firm improved to 8.91 per cent in FY2022 (Prov) against 6.84 in FY2021. The improvement is attributable to decrease in operational overheads of the firm such as administrative expenses and selling expenses during the period. The total debt of Rs.25.39 Cr as on March 31, 2022(Prov) consists of Rs.2.70 Cr unsecured loan from promoters and short term working capital debt of Rs.5.62 Cr. Interest coverage ratio stood comfortable at 4.61 times as on March 31, 2022(Prov) and 2.39 times as on March 31, 2021. The net cash accrual (NCA) to total debt (TD) is 0.40 times as on March 31, 2022(Prov) and 0.11 times as on March 31, 2021. The Total outside liabilities to Tangible net worth stood at 1.10 times for FY2022(Prov) as against 1.77 times in FY2021. Acuité expects the financial risk profile to remain moderate over the medium to long term period on account of improvement

in scale of operations and moderately leveraged capital structure.

### **Moderate working capital cycle**

GE's working capital is marked by moderate its gross current asset (GCA) days of around 75-120 days during last 3 years through FY2022. The GCA days are majorly marked by moderate inventory and debtor days. The company maintains an inventory of about 27 to 80 days and gives credit period of 10-25 days to its customers during last 3 years through FY2022. Its creditor's days stood at 01-05 days during last 3 years through FY2022. Moderate GCA led to low average utilization of its working capital limits at about 16.42 percent over the past 6 months ended June 2022. Acuité believes that the operations of the firm will remain moderately working capital intensive on account of presence of low level of credit period from suppliers due to the firm's nature of business line.

### **Weaknesses**

#### **Risk of withdrawal associated with the partnership nature of firm**

GE is a partnership firm and is exposed to the likeliness of the partners withdrawing capital from the business. It can be observed that the Net worth of the firm has not witnessed any growth over the last 3 financial years through FY2022 on account of capital withdrawal by the partners. Acuité believes that any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

#### **Highly fragmented and intensely competitive cashew industry**

The domestic cashew industry is highly fragmented with the presence of many unorganized players, owing to low entry barriers. Intense price competition, along with low product differentiation, limits the firm's pricing flexibility. Further the firm's margins have fluctuated over the years due to variations in RCN and cashew kernel prices. Cashew prices are highly volatile. Kernel prices are determined by buyers and brokers, in line with the prevailing demand-supply scenario.

### **Rating Sensitivities**

#### **Positive**

- Significant and sustainable improvement in the scale of operations
- Sustainable improvement in Profitability, Leverage and Solvency position of the firm.
- Sustainable improvement in realization per unit of the products offered by the firm.

#### **Negative**

- Any deterioration in working capital cycle and liquidity profile of the firm.
- Any deterioration in Revenue profile and leverage position of the firm
- Any deterioration in volume and realization per unit of the products offered by the firm
- Any weakening of financial risk profile of the firm; any further significant withdrawal of capital by partners

### **Material covenants**

None

### **Liquidity: Adequate**

GE's liquidity is adequate marked by modest generation of net cash accruals in FY2022(Prov)

to its maturing debt obligations, moderate level of unencumbered cash and bank balance and moderate bank limit utilization. The firm has generated cash accruals in the range of Rs.1.55-10.07 Cr during last three years ending FY2022(Prov) as against its long term debt obligations of Rs.0.54-2.01 Cr for the same period. The firm's working capital is effectively managed as evident from Gross Current Asset (GCA) of 76 days as on March, 2022(Prov) as compared to 121 days as on March, 2021. The current ratio stood at 2.28 times as on 31 March 2022(Prov) against 1.39 in previous year and the fund based limit remains utilized at nearly 16 percent over the 6 months ended June, 2022. The firm maintained unencumbered cash and bank balances of Rs.3.67 Cr as on March 31 2022(Prov) against Rs.4.28 Cr in previous year. Acuité believes that the liquidity of the firm is likely to improve over the medium term on account of increasing scale of operations and expected improvement in demand in the industry.

### **Outlook : Positive**

Acuité believes that GE will maintain 'Positive' outlook over the medium term due to extensive experience of its promoters, healthy growth in sales, improving financial risk profile and efficient working capital management. The rating may be upgraded if the firm registers expected or higher-than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Stable' in case of firm's inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile or significant withdrawal of capital.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	149.17	99.47
PAT	Rs. Cr.	8.10	1.35
PAT Margin	(%)	5.43	1.36
Total Debt/Tangible Net Worth	Times	1.06	1.68
PBDIT/Interest	Times	4.91	2.39

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

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jul 2021	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	2.46	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.54	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
14 May 2020	Packing Credit	Short Term	30.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BB   Stable (Assigned)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB+   Positive   Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	20-08-2019	8.35	30-11-2027	3.00	ACUITE BB+   Positive   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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