

Press Release
GAYATHRI EXPORTS
January 16, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BB+ Stable Reaffirmed Positive to Stable	-
Bank Loan Ratings	33.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	57.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB+**' (read as **ACUITE double 'B Plus'**) and reaffirmed its 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 '**Stable**' from '**Positive**'.

Rationale for rating reaffirmation and outlook revision:

The reaffirmation and revision in outlook takes into account the deterioration in financial risk profile and decline in operating margins due to lower realizations, the operating margin of GE for FY 2023 stood at 4.54 percent as against 6.62 percent in FY2022. Gearing rose to 1.85 times in FY2023 from 1.03 times in FY2022, Debt-EBTIDA rose to 5.82 times in FY2023 from 2.10 times in FY2022 and DSCR deteriorated to 1.05 times in FY2023 from 2.72 times in FY2022. The rating takes into account the stable operating income, the operating income of company has been stable over last two years ended FY2023. The Company's revenue stood at Rs.154.06 Cr in FY2023 as against Rs. 154.67 Cr in FY2022.

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

About the Company

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 experience 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 ~23 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.

- **Stable scale of operations**

The operating income of firm has been stable over last two years ended FY2023. The firm's revenue stood at Rs.154.06 Cr in FY2023 as against Rs. 154.67 Cr in FY2022. The operating margins ranged between 6.62- 4.54 percent for the last two years ended FY2023. Acuité believes that financial performance of the firm is expected to improve going ahead, led by increase in demand.

- **Moderate financial risk profile albeit increased leverage during the year**

The financial risk profile of the firm is moderate marked by moderate net worth, below average capital structure and debt protection measures. The net worth of the firm stood at Rs.22.52 Cr and Rs.21.05 Cr as on March 31, 2023 and 2022 respectively. Gearing ratio rose to 1.85 times in FY2023 from 1.03 times in FY2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.38 times and 1.05 times as on March 31, 2023 respectively as against 3.64 times and 2.72 times as on March 31, 2022 respectively. Tol/ TNW stood at 1.95 times as on March 31, 2023, as against 1.21 times as on March 31, 2022. The debt to EBITDA of the company stood at 5.82 times on as on March 2023 as against 2.10 times in FY2022. Acuité believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

Weaknesses

- **Elongation of working capital cycle**

GE's working capital cycle elongated during the year marked by gross current assets of 111 days in FY2023 as against 68 days in FY2022. The GCA days are impacted mainly on account of increase in inventory days and slightly increase in debtor days. Inventory days stood at 62 days as on March 31, 2023 as against 25 days as on March 31, 2022. The debtor day stood at 42 days as on March 31, 2023 as against 33 days as on March 31, 2022. Creditors days stood at 1 days as on March 31, 2023 as against 2 days as on March 31, 2022.

- **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 FY2023 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

- Significant and sustainable improvement in the scale of operations
- Sustainable improvement in Profitability, Leverage and Solvency position of the firm.

Liquidity Position: Adequate

GE's Liquidity is adequate with adequate NCAs to its repayment obligations. GE generated cash accruals of Rs.2.71 Cr during FY2023, while its maturing debt obligations are Rs.2.43 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.2.77-3.88 Cr during FY2024-25 while their repayment obligations are Rs. 1.67-1.89Cr during the same period. The Company has maintained unencumbered cash and bank balances Rs.0.04 Cr and the current ratio stood at 1.39 times as on March 31, 2023. Acuité expects that the liquidity of the company is likely to be Adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuité believes that GE will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations and improvement in per unit realizations of the products offered by the firm leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case GE registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	154.06	154.67
PAT	Rs. Cr.	2.31	4.48
PAT Margin	(%)	1.50	2.89
Total Debt/Tangible Net Worth	Times	1.85	1.03
PBDIT/Interest	Times	2.38	3.64

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Oct 2022	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BB+ Positive (Reaffirmed)
	Packing Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BB+ Positive (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Reaffirmed Positive to Stable
Union Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	10 Jan 2026	Simple	3.28	ACUITE BB+ Stable Reaffirmed Positive to Stable
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	17 Aug 2024	Simple	2.72	ACUITE BB+ Stable Reaffirmed Positive to Stable
Union Bank of India	Not Applicable	Term Loan	20 Aug 2019	Not available	30 Nov 2027	Simple	3.00	ACUITE BB+ Stable Reaffirmed Positive to Stable

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.