

Press Release

Shree Venkateshwara Processors

January 11, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.50 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.14.50 crore bank facilities of Shree Venkateshwara Processors (SVP). The outlook is '**Stable**'.

About the Company

Established in 1993, Shree Venkateshwara Processors is a partnership firm based in Karnataka. It is engaged in processing of raw cashews. The day to day operations are managed by its partners, Mr. P. Subraya Pai, Mrs. Divya Pai and Mr. Chaitanya Pai. The firm has processing unit in Karnataka with production capacity of 9 tonnes per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

SVP commenced operations from 1993. The firm is promoted by its partners, Mr. P. Subraya Pai, Mrs. Divya Pai and Mr. Chaitanya Pai having an experience of more than two decades in cashew process industry. The extensive experience has enabled the firm to maintain healthy relationships with customers and suppliers.

Acuité believes that the group will continue to benefit from its experienced management and established relationships with customers.

- **Moderate working capital management**

The working capital of SVP is moderately managed marked by Gross Current Asset (GCA) days of 120 for FY2020 as against 89 in the previous year. The debtor days stood comfortable at 22 for FY2020 as against 21 in FY2019. Further, inventory days stood at 88 for FY2020 as against 59 for FY2019. The average bank limit utilisation stood at ~50 percent for last six months ending November, 2020.

Acuité believes, going ahead, the ability of the firm to efficiently manage its working capital requirements will remain the key rating sensitivity.

Weaknesses

- **Decline in scale of operations**

The firm reported decline in revenue by ~20.53 percent with operating income of Rs.33.88 crore in FY2020 from operating income of Rs.42.63 crore in FY2019. This is majorly because of the market conditions. However, the operating margins of the firm increased to 5.49 percent in FY2020 from 0.77 percent in FY2019. The increase is on account of higher realisations for the product. Further, Acuité had anticipated higher operating margins in FY2020.

Acuité believes that the operating profitability of the firm in FY2021 is likely to improve on account of lower raw material prices along with increasing demand.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth, moderate debt protection measures and moderate gearing. The net worth of the firm is low at Rs.7.15 crore as on 31 March 2020 as against Rs.6.93 crore as on 31 March 2019. The gearing (debt-equity) of the firm stood moderate at 1.05 times as on March 31 2020 as against 1.01 times as on March 31 2019. Total debt of Rs.7.47 crore as on 31

March, 2020 consists of term loan of Rs.0.97 crore, unsecured loans of Rs.1.02 crore and working capital facility of Rs.5.47 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.06 times as on 31 March 2020 as against 0.97 times as on 31 March 2019. Interest Coverage Ratio (ICR) improved to 1.87 times in FY2020 from 0.22 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.12 times as on 31 March 2020 as against negative 0.11 times as on 31 March 2019. Debt Service Coverage Ratio (DSCR) improved to 1.63 times in FY2020 from 0.52 times in FY2019. Acuité believes financial risk profile will remain moderate due to muted net cash accruals owing to COVID19 impact.

Liquidity Position: Stretched

SVP has stretched liquidity marked by modest net cash accruals of Rs.0.91 crore in FY2020 as against debt obligation of Rs.0.15 crore for the same period. The firm's working capital operations are moderate marked by gross current asset (GCA) days of 120 in FY2020. Further, the reliance on working capital borrowings is low, the cash credit limit in the firm remains utilised at ~50 percent during the last 6 months' period ended November, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.61 crore as on March 31, 2020. The current ratio of the firm stood at 1.92 times as on March 31, 2020.

Acuité believes that the firm's liquidity will remain adequate in near to medium term due to adequate net cash accruals and less debt obligations.

Outlook: Stable

Acuité believes that SVP will maintain a 'Stable' outlook over the medium term on the back of its experienced management and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins, capital structure and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue and profit margins or deterioration in the capital structure or liquidity position owing to significant debt funded capex or working capital borrowings.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability.
- Stretch in working capital cycle and deterioration in liquidity position.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Crore	33.88	42.63
Profit after tax (PAT)	Rs. Crore	0.47	(1.14)
PAT margin	%	1.39	(2.67)
Total debt / Tangible Net worth	Times	1.05	1.01
PBDIT / Interest	Times	1.87	0.22

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>
- 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
15-Oct-2019	Cash Credit	Long Term	14.50	ACUITE BB-/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	14.50	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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