

Press Release

Shree Venkateshwara Processors

September 15, 2021



Rating Withdrawn

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Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure 1 for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE BB-**' (**read as ACUITE double B 'Minus'**) on the Rs.14.50 Cr bank facilities of Shree Venkateshwara Processors (SVP).

This rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the firm and no-objection certificates received from the banker.

About the Company

Established in 1993, Shree Venkateshwara Processors (SVP) 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

- **Experienced management; established presence and track record of operations**

SVP commenced its operations in 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 Indian cashew processing industry. The extensive experience has enabled the firm to maintain healthy relationships with customers and suppliers. SVP has processing unit in Karnataka with processing capacity of 9 tonnes per day and with full capacity utilization. The raw material is procured majorly from African countries i.e., around 80 per cent and rest from domestic market from Karnataka, Kerala, Maharashtra and Goa. Acuité believes that the firm will continue to benefit from its experienced management and established relationships with customers.

- **Moderate financial risk profile**

SVP's financial risk profile is moderate, marked by a moderate net worth and gearing along with moderate debt protection metrics. The EBITDA margins of the firm deteriorated to 4.58 per cent in FY2021 (Prov) against 5.49 in FY2020. The deterioration is on account of increase in employee cost. However, the PAT margins of the firm have improved to 2.13 per cent in FY2021 (Prov) against 1.38 per cent in FY2020, on account of decrease in finance cost and increase in scale of operations. The improvement in the profit margin levels has led to marginal improvement in the debt protection metrics. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.57 times and 2.14 times respectively in FY2021 (Prov) as against 1.87 and 1.63 times respectively in the previous year.

The net worth of the firm stood at Rs.8.24 Cr as on 31 March, 2021 (Prov) as against Rs.7.14 Cr as on 31 March, 2020. The improvement is on account of moderate accretion of net profit in the reserves and infusion of equity capital by partners during the period. The gearing level (debt-equity) stands deteriorated at 1.22 times as on 31 March, 2021 (Prov) as against 1.05 times as on 31 March, 2020, the deterioration is on account of the increase in short term debt during the period. TOL/TNW (Total outside liabilities/Total net worth) has marginally deteriorated and stands at 1.27 times as on 31 March, 2021 (Prov) against 1.06 times in previous year. The total debt of Rs.10.07 Cr as on 31 March, 2021 (Prov) consist of Short-term debt. NCA/TD (Net cash accruals to total debt) stands low but improved at 0.13 times in FY2021 (Prov) as against 0.12 times in FY2020. Debt/EBITDA (Total debt to EBITDA) has deteriorated and stands at 4.62 times in FY2021 (Prov) as against 3.81 times in FY2020. 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.

Weaknesses

- **Working capital operations marked by moderate GCA days**

SVP's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 89-120 days over the last 3 years ending March 31, 2021(Prov). The GCA days are majorly marked by moderate inventory days. The GCA days of 119 days as on March 31, 2021 (Provisional) is on account of presence of moderate inventory amounting to Rs.8.88 Cr. The creditor days stood at 1 day and debtor days stood at 8 days as on March 31, 2021 (provisional). The moderate GCA cycle has led to moderate utilization of around 54.83 per cent of working capital requirement bank lines of Rs.14.50 Cr over the past 7 months ending July, 2021. 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.

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

SVP is a partnership firm and is exposed to the likeliness of the partners withdrawing capital from the business. 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 Raw cashew nuts prices. Cashew prices are highly volatile. Kernel prices are determined by buyers and brokers, in line with the prevailing demand-supply scenario. Acuité believes that any substantial fluctuations in the raw material price is likely to have an adverse impact on the revenue profile of the firm.

Liquidity Position: Adequate

SVP's liquidity is adequate marked by modest generation of net cash accruals in FY2021(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. (0.78)-1.29 Cr during last three years ending FY2021(Prov) as against its long-term debt obligations of around Rs.0.15Cr for the same period. The firm's working capital is moderately managed as evident from Gross Current Asset (GCA) of 119 days as on March, 2021(Prov) as compared to 120 days as on March, 2020. The moderate GCA days as on March 31, 2021 (Provisional) is on account of presence of inventory amounting to nearly Rs.8.88 Cr. The current ratio stood at 1.43 times as on 31 March 31 2021(Prov) against 1.87 in previous year and the fund-based limit remains utilized at nearly 54.83 percent over the 7 months ended July, 2021. The firm has availed Rs.2.90 Cr Ad hoc limit in the month of June 2021 and July 2021 to cater the working capital requirements. The firm maintained unencumbered cash and bank balances of Rs.3.14 Cr as on 31 March 31 2021(Prov) against Rs.0.61 Cr in previous year.

Rating Sensitivities

Not applicable

Outlook: Stable

Not applicable

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	46.11	33.88
PAT	Rs. Cr.	0.98	0.47
PAT Margin	(%)	2.13	1.38
Total Debt/Tangible Net Worth	Times	1.22	1.05
PBDIT/Interest	Times	2.57	1.87

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

None

Any other information

None

Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.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
11 January, 2021	Cash Credit	Long Term	14.50	ACUITE BB-/Stable (Reaffirmed)
15 October, 2019	Cash Credit	Long Term	14.50	ACUITE BB-/Stable (Assigned)

*Annexure 1 – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE BB- (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Shivam Agarwal Analyst - Rating Operations Tel: 040-4004 2327 shivam.agarwal@acuite.in	

About Acuité Ratings & Research:

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