



Rating Rationale

Ambica Cashew Industries

28th November 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.5.80 Crs of Ambica Cashew Industries (*or The firm*).

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Limit			Long Term	BWR B (Outlook: Stable)	BWR B BWR Single B (Outlook: Stable) Reaffirmation
Cash Credit	1.00	1.00			
Demand Loan	2.00	2.00			
Non Fund Based Limits			Short Term	BWR A4	BWR A4 BWR A Four Reaffirmation
Letter of Credit (LC)	2.80	2.80			
Total	5.80	5.80	INR Five Crores and Eighty Lakhs Only		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up to FY17 and publicly available information and the information/clarifications provided by the firm.

The rating draws strength from the experience of proprietor, established relationship with customers & suppliers. However, the ratings are constrained by low scale of operations, declined revenue Y-O-Y, low tangible networth, elongated conversion cycle, working capital intensive nature of business, crop seasonality risk, limitation in the constitution of the firm being a proprietorship, forex currency price risk and intense competition in the industry.

Key rating drivers:

The proprietor of the firm are engaged in the food processing industry for more 10 years, Revenue from operation declined from Rs. 21.76 Crs in FY16 to Rs. 14.32 Crs in FY17 and low net-worth of Rs. 2.43 Crs.

Going forward, the ability of the firm to increase its scale of operations to improve profitability, improve the capital structure by infusing the fund, manage the risk associated with the foreign currency price fluctuations and efficiently manage its working capital will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the business risk profile of **Ambica Cashew Industries** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the firm

Ambica Cashew Industries is a proprietorship firm was established in 2003, promoted by Smt. Pratti Perantala Ammadu, located at Tuni, Andhra Pradesh. The firm is primarily engaged in importing and exporting of cashew and cashew products. 50% of the raw material (Cashew) is imported from Singapore, South Africa, Ghana and remaining 50% is bought from local farmers. After procurement of raw nuts, the value addition is done under the process of steaming, cashew cutting, roasting, peeling, grading and packing. 100% processed cashew is sold within the country in the states of Odisha and Andhra Pradesh.

Firm Financial Performance

The firm reported a net revenue from operations of Rs. 21.76 Crores in FY16 and Rs.14.32 Crores in FY17. Operating and net profit margins reported at 8.14% and 1.11% in FY17 as against 7.80% and 1.01% in FY16. Tangible networth of the firm is reported at 2.43 Crs in FY17. The firm is reported to have debt equity of 2.09 X in FY17. Interest coverage indicators at satisfactory level



reflected by ISCR of 1.20 times. The firm is reported to high debt reflected by total debt of Rs. 5.07 Crs in FY17.

Rating History for the last three years

Sl. No	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	8/12/16	30/11/15	25/8/2014
1	Cash Credit	Long Term	1.00	BWR B (Outlook: Stable)	BWR B	BWR B	BWR B
2	Demand Loan		2.00				
3	Letter of Credit	Short Term	2.80	BWR A4	BWR A4	BWR A4	BWR A4
Total			5.80	INR Five Crores and Eighty Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Annexure

Key Parameters	FY15 (Audited)	FY16 (Audited)	FY17 (Audited)
Net Revenue	22.00	21.76	14.32
EBITDA	1.58	1.70	1.17
PAT	0.24	0.22	0.16
Tangible Networkth	1.69	1.86	2.43
Total Debt:Tangible Networkth	3.23	3.21	2.09
Current Ratio	1.25	14.60	31.83

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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