

Rating Rationale

Brickwork Ratings Reaffirms 'BWR B' & 'BWR A4' for the Bank Loan Facilities of ₹ 5.80 Cr for Ambica Cashew Industries.

Brickwork Ratings (BWR) has *reaffirmed* the following **Ratings**¹ for the Bank Loan Facilities of ₹5.80 Crores of Ambica Cashew Industries (the 'Firm').

Facility	Previous Limit (₹Cr)	Present Limit (₹Cr)	Tenure	Present Rating	Rating History
Cash Credit (Fund based)	1.00	1.00	Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable	BWR B (Pronounced BWR Single B) Outlook: Stable (Aug, 2014)
Demand Loan (Fund based)	2.00	2.00			
LC (Non-Fund based)	3.00	2.80	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
Total	6.00	5.80	INR Five Crores and Eighty Lakhs only		

BWR has principally relied upon the audited financial results up to FY15, publicly available information and information/clarifications provided by the Firm's management.

The rating continues to factor, inter alia, extensive experience of the proprietor, Long term customer relationship and ability to maintain its profitability. However, the rating is constrained by low scale of operations, low tangible Net worth, Forex Fluctuation as 50% of raw material is being imported and Limited domestic geographic reach catering to Odisha and Andhra Pradesh only. The rating is also constrained by uncertainty nature of the crop due to seasonality factor.

Background:

Ambica cashew Industries is a proprietorship firm established in 2003, and is promoted by Smt. Pratti perantala ammadu. The firm is located in Tuni, Andhra Pradesh. The firm is primarily engaged in importing and exporting of cashew and cashew products. 80% of the raw material (Cashew) is imported from Singapore, South Africa, Ghana and another 20% is bought from the local farmers. After procurement of raw nuts, the value addition is done under the process of steaming, cashew cutting, roasting, peeling, grading and packing. 20% of the produce is supplied to Nepal and remaining 80% is sold within the country in the states of Odisha and Andhra Pradesh.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

The net revenue has increased substantially from ₹12.74 Cr in FY14 to ₹22.00 Cr in FY15. The firm reported operating profit margin of 7.20 per cent and net profit margin of 1.11 per cent for FY15. The firm is highly leveraged with debt equity of 3.23 times in FY15. The tangible net-worth stood at ₹1.69 Cr as on 31st March, 2015.

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. The rating reflects the position of the firm in the food processing segment of the industry it caters to. Going forward, ability of the firm to achieve higher turnover, improve the capital structure along with its profitability margins will be the key rating sensitivities.

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