

SRI VINAYAKA CASHEW INDUSTRIES

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs. 15.59 Crs. of Sri Vinayaka Cashew Industries

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (June, 2019)	Present
Fund based	15.39	15.59	Long Term	BWR BB Outlook: Stable	BWR BB Outlook: Stable Reaffirmed
Total	15.39	15.59	INR Fifteen Crores and Fifty Nine Lakhs Only		

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

** Details of Bank Loan facilities is provided in Annexure-1

RATING ACTION / OUTLOOK

BWR has relied upon the audited financials upto FY19, projected financials upto FY20 and information / clarifications provided by the Entity's management.

The reaffirmation of the rating assigned for the bank loan facilities of Sri Vinayaka Cashew Industries has factored the extensive experience of the proprietor, marginally improved revenues, low gearing profile, adequate liquidity position, improved tangible net worth, moderate debt protection metrics and marginally improved profitability. However the rating is constrained by marginally reduced operating profit margin, uncertainty in revenue streams emanating from seasonality risk, susceptibility to volatility in cashew prices, inherent risk of firm being proprietorship concern and intense competition from other organised and unorganised players.

BWR believes that the business risk profile of Sri Vinayaka Cashew Industries will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Proprietor's Experience :** Mr. Ganesh Kini is the proprietor of the firm having business experience for more than a decade in cashew processing business.
- **Relationship with customers and suppliers :** Established relationship with customers and suppliers are more than a decade.
- **Operational efficiency and adequate liquidity :-** The revenue of the firm marginally improved from Rs. 31.76 Crs in FY18 to Rs. 36.20 Crs in FY19 and satisfactory liquidity position as current ratio stood at 76.4 times in FY19.
- **Low gearing profile :-** As the debt equity ratio stood at 0.01 times in FY19 and adequate interest coverage and debt coverage indicators stood at 2.36 times and 3.37 times in FY19.
- **High Tangible Net Worth :-** We can observe an increase in tangible net worth from Rs. 12.89 Cr in FY18 to Rs. 42.93 Cr in FY19. This increase was due to infusion of capital by the proprietor Mr. B Ganesh Kini.

Credit Risks:

- **Profitability :** The operating profit has reduced Marginally from 5.79% in FY18 to 5.3% in FY19. Net profit margin has increased in FY19 marginally, but it is because half of PAT is contributed from non-operating incomes.
- **Susceptibility to volatility in cashew prices:** Due to insufficient supply and high rates of cashews in the domestic market, the nuts are increasingly being imported. Hence, the firm remains susceptible to changes in policies of cashew exporting nations.
- **Intense competition and COVID :-** The operations are expected to be impacted in the first quarter of fiscal 2021 due to COVID led lockdown. The firm is exposed to intense competition in the Agro- products industry, which is marked by a large number of organized and unorganized players.
- **Uncertainty in revenue streams and concentration risk:-** Uncertainty in revenue streams emanating from seasonality risk being agri based raw material, and customer and geographical concentration can be seen in the revenue profile.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the firm to increase its scale of operations, improve profitability, efficiently manage its working capital and strengthen its overall credit profile would be the key rating sensitivities.

Positive: The outlook may be revised to Positive if the company records significantly better-than-expected growth in revenues along with improvement in profitability levels and efficient working capital management, resulting in better debt coverage metrics and liquidity profile.

Negative: The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.

LIQUIDITY INDICATORS

Liquidity Position : Adequate

The EBITDA of the firm is sufficient to cover the interest and finance charges. The average utilization of the credit facilities for the past six months has been almost around 60%. The debt protection metrics of the firm are at a very comfortable level with ISCR and DSCR of 2.36 and 3.37 times respectively in FY19. The net cash accruals for FY19 were Rs. 2.80 Cr and the balance of cash and cash equivalents was Rs. 0.12 Cr. The cash conversion cycle also stood at a very comfortable level of 28 days. Lastly, the current ratio was maintained at a very high and comfortable rate of 76.4 times in FY19.

COMPANY'S / FIRM' PROFILE

The firm was established in 2004 as a proprietorship concern. The registered office address of the firm is located at Udupi. The proprietor of the firm is Mr. B. Ganesh Kini, who is having a total of 19 years of experience in the cashew processing business. The firm belongs to Ganesh Cashew Group. Other firms in the group are Sri Gajanana Cashew Industries, Sri Gajanana Exports and Sri Ganesh Cashew Industries. The firm is mainly engaged in processing Cashew kernels from



raw cashew nuts and also selling by products such as cashew shells, husk in the local market. The products are processed as per the specifications laid down by the Cashew Export Promotion Council of India (CEPCI). The installed processing capacity of the firm is 160 bags (75 kg per bag) per day and plant utilization capacity is 80%. Presently, there are 250 permanent and 20 temporary employees working in the plant.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	Rs. In Crs	31.76	36.20
EBITDA	Rs. In Crs	1.84	1.92
PAT	Rs. In Crs	2.06	2.67
Tangible Net worth	Rs. In Crs	12.89	42.93
Total Debt/Tangible Net worth	Times	0.14	0.01
Current Ratio	Times	21.13	76.4

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (Rs.Crs.)	Rating	June, 2019	April, 2018	2017
Fund Based	Long Term	15.59	BWR BB Stable Reaffirmed	BWR BB Stable Reaffirmed	BWR BB Stable	Not Rated
Total		15.59	INR Fifteen Crores and Fifty Nine Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

Analytical Contacts	Investor and Media Relations
<p>Parth Modi Ratings Analyst parth.m@brickworkratings.com</p> <p>K Nagaraj Assoc. Director – Ratings Board: +91 80 4040 9940 nagaraj.ks@brickworkrating.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Sri Vinayaka Cashew Industries ANNEXURE I - Details of Bank Loan Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
Canara Bank	Cash Credit	15.00	--	15.00
	Term Loan	0.59	--	0.59
Total INR Fifteen Crores and Fifty Nine Lakhs Only				15.59

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-



convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.