Rating Rationale

Seagul Nuts N Spices **15 Nov 2018**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.50 Crores of Seagul Nuts N Spices.

Particulars

<table>
<tr><th>Facility</th><th>Amount (₹ Crs)</th><th>Tenure</th><th>Rating*</th></tr>
<tr><td rowspan="2">Fund based</td><td>0.50</td><td>Long Term</td><td>BWR B
(Pronounced as BWR Single B)
(Outlook: Stable)</td></tr>
<tr><td>5.00</td><td>Short Term</td><td rowspan="2">BWR A4
(Pronounced as BWR A Four)</td></tr>
<tr><td>Non Fund Based</td><td>3.00</td><td>Short Term</td></tr>
<tr><td>Total</td><td>8.50</td><td colspan="2">INR Eight Crores and Fifty Lakhs Only</td></tr>
</table>

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial statements upto FY18 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of management in cashew business, moderate current ratio and long standing relationship with customers. However, the rating is constrained by high gearing ratio, low tangible net worth and thin profit margins. Further being a partnership firm, any withdrawals of the capital by the partner for any contingencies would adversely impact the capital structure which would be a rating sensitivity.

Going forward, the ability of the firm to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of management:** Mr.S.Rajesh and Mr.S.Prasad are the partners of the firm and have more than five years of experience in business of cashew and cashew kernels. It is a family run business
- **Moderate Current Ratio:** Current ratio is moderate at 1.27 times in FY18

- **Long Standing Relationship with customers:** Since the firm has been in existence from 2011, it has established long standing relationship with its customers

Credit risks:

- **High Gearing ratio:** Gearing ratio is at high levels at 6.16 times in FY17 and 4.21 times in FY18
- **Low tangible Net Worth:** Tangible net worth of the firm is low at Rs.1.28Cr in FY17 and Rs.1.47Cr in FY18
- **Thin Profit margins:** Net Profit margin is thin at 0.19% in FY18
- **Constitution of the entity as a partnership firm:** Seagull Nuts N Spices being a partnership firm, is exposed to inherent risk of capital withdrawal at the time of personal contingency which will affect its capital structure

Analytical Approach

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 Outlook: Stable

BWR believes the **Seagul Nuts N Spices** business risk profile 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

Seagull Nuts N Spices is a partnership firm situated at Panruti, Tamil Nadu and established in 2011. Mr.S.Rajesh and Mr.S.Prasad are the partners of the firm and have more than five of experience in business of cashew and cashew kernels. It is a family run business. The firm processes raw cashew imported from Singapore, Malaysia etc ., . After processing the raw cashew, the firm sells cashew kernels to its customers. The firm exports cashew kernels and nuts to countries like Singapore, Malaysia and Dubai and also caters to domestic demand primarily to states such as Delhi, Mumbai etc., Approximately 50 tonnes of cashew are processed every month

Company Financial Performance

The firm reported a net revenue from operations of Rs.32.61Crs in FY18 and Rs.21.87Crs in FY17. Net profit margin reported at 0.19% in FY18.Tangible net worth stood at Rs.1.47Crs as at the end of March 31, 2018

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Cash Credit	Long Term	0.50	**BWR B (Outlook Stable)**	**NIL**	**NIL**	**NIL**
	PCL	Short Term	5.00	**BWR A4**	**NIL**	**NIL**	**NIL**
	Bank Guarantee	Short Term	3.00		**NIL**	**NIL**	**NIL**
	Total		**8.50**	**₹ Eight Crores and Fifty Lakhs Only**			

Key Financial Indicators

Key Parameters	Units	2018	2017	2016
Result Type		**Audited**	**Audited**	**Audited**
Operating Revenue	₹ Cr	32.61	21.87	15.98
EBITDA	₹ Cr	0.71	0.57	0.60
PAT	₹ Cr	0.06	0.05	0.04
Tangible Net worth	₹ Cr	1.47	1.28	0.88
Total Debt/Tangible Net worth	Times	4.21	6.16	5.83
Current Ratio	Times	1.27	1.17	1.33

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector

- [Short Term Debt]

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
R Varadarajan *Chief Manager-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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.

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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER