



RATING RATIONALE

24 Aug 2020

Sri Ganesh Cashew Industries

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs. 19.74 Crs. of Sri Ganesh Cashew Industries

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (June 2019)	Present
Fund based	19.84	19.74	Long Term	BWR BB+ Stable	BWR BB+ Stable Reaffirmed
Total	19.84	19.74	INR Nineteen Crores and Seventy Four Lakhs Only		

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

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

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 Ganesh Cashew Industries has factored the extensive experience of the partners, established relationship with customers and suppliers, marginally improved revenues, low gearing profile, adequate liquidity position, moderate debt protection metrics and marginally improved profitability. However, the rating is constrained by uncertainty in revenue streams emanating from seasonality risk, inherent risk of firm being partnership concern and intense competition from other organised and unorganised players.

BWR believes that the business risk profile of Sri Ganesh 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:

- **Partners Experience** : Mrs. Sharada Kini and Mr. Ganesh Kini are the partners 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. 67.31 Crs in FY17 to Rs. 68.59 Crs in FY18 and satisfactory liquidity position as current ratio stood at 2.1 times in FY18
- **Low gearing profile** :- Debt equity stood at 0.54 times in FY19 and satisfactory interest coverage and debt coverage indicator stood at 2.22 times and 2.26 times in FY19.
- **Improved Profitability** :- The net profit improved marginally from 1.80% in FY18 to 2.13% in FY19.

Credit Risks:

- **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.
- **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.

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 70%. The debt protection metrics of the firm are at a very comfortable level with ISCR and DSCR of 2.22 and 2.26 times respectively in FY19. The net cash accruals for FY19 were Rs. 1.72 Cr and the balance of cash and cash equivalents was Rs. 0.18 Cr. The cash conversion cycle also stood at a very comfortable 49 days. Lastly, the current ratio was maintained above the unity level and stood at a very comfortable 2.1 times in FY19.

FIRM'S PROFILE

Sri Ganesh Cashew Industries is a partnership firm established on 1st April 2000. Its registered office is at Belve Kundapura, Udipi. The firm is engaged in Cashew Processing and sale of Cashew Kernels. The firm is mainly importing raw Cashew nuts from Dubai, Benin and Singapore. The installed processing capacity of the firm is 400 bags (75 kg per bag) per day and plant utilization capacity is 70%. Presently, there are 530 permanent and 30 temporary employees working in the plant.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	Rs. In Crs	67.33	68.60
EBITDA	Rs. In Crs	2.27	3.02
PAT	Rs. In Crs	1.21	1.46
Tangible Net worth	Rs. In Crs	8.21	14.46
Total Debt/Tangible Net worth	Times	0.19	0.54
Current Ratio	Times	4.76	2.1

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	July, 2018	2017
Fund Based	Long Term	19.74	BWR BB+ Stable Reaffirmed	BWR BB+ Stable Reaffirmed	BWR BB+ Stable	Not Rated
Total		19.74	INR Nineteen Crores and Seventy Four Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

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Sri Ganesh 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 Sublimit : ODBD Sublimit: Trust limit	19.00 (1.00) (0.50)	-	19.00
	Term Loan	0.74	-	0.74
Total INR Nineteen Crores and Seventy Four Lakhs				19.74

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