

Rating Rationale

Shree Durga Cashews

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Rs 8.56 Crores of Shree Durga Cashews.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2017)	Present
Fund based OCC	3.50	3.50	Long Term	BWR B+ Stable	BWR D Downgraded
KCC	3.50	3.50	Long Term		
Term Loan-1	1.40	0.54	Long Term		
Term Loan-2	-	0.04	Long Term		
Term Loan-3	-	0.02	Long Term		
Term Loan-4		0.05	Long Term		
Term Loan-5		0.91	Long Term		
Fund Based Trust Limit (Sublimit of OCC)	(0.75)	-	Short Term	BWR A4	Rating Withdrawn
Total	8.40	8.56	INR Eight Crores and Fifty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.RNR on 18 Feb 2019.Term Loan Outstanding on 15 Oct 2020
Complete details of Bank facilities is provided in Annexure-I

Ratings: Downgraded

RATING ACTION / OUTLOOK

There is no outlook



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA

KEY RATING DRIVERS:

BWR has essentially relied on Audited financials upto FY 19, Provisionals of FY 20, projections upto FY 22, publicly available information and information/clarification provided by firm's management

The Rating takes into consideration extensive experience of promoters, improvement in TOI, The Ratings are constrained by high gearing, low tangible network, low coverage indicators, low current ratio and negative profit margins, delays in repayment of debt obligations, and effect of COVID-19 on the industry as a whole

Description of Key Rating Drivers

Credit Strengths:

- **Experience of Proprietor:** The Proprietor experience is a decade
- **Improvement in TOI:** The Total Operating income has improved by 7.23% from FY 19 Aud to FY 20 Prov

Credit Risks:

- **Low Tangible Network and High Gearing:** The Tangible Network is negative in FY 19 (Rs -0.41 Crs) and gearing for FY 19 Aud stands at -22.19 times
- **Low Coverage Indicators:** Negative Coverage Indicators (ISCR:-1.75 times, DSCR:-1.38 times) observed for FY 19, however improved in FY 20 Prov (ISCR:1.40 times, DSCR:1.16 times)
- **Low Current Ratio :** Low Current Ratio observed for FY 19 (0.81 times)
- **Negative Profit Margins:** NPM for FY 19 stands at -17.25% and OPM for FY 19 stands at -10.71%, however improved in FY 20 Prov (NPM:1.18%, OPM:9.55%)
- **Delays in Repayment of Debt Obligations:** There are delays in repayment of debt obligations
- **Effect of COVID-19:** The Company's business is correlated with the overall economic activity level of the country. Given the current lockdown, the country's economic activities have come to an almost standstill. But, this is most likely to bring down the growth rate of the Indian economy and affect the Company's business operations due to delay in execution, a possible increase in labour cost due to migrant labourers' exodus to their native places, the possibility of decline in new projects and an increase in raw materials' cost due to supply chain disruptions

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). The Rating is defined by Standalone financials

RATING SENSITIVITIES

Going forward the ability of the firm to regularly service its debt obligations,,increase its operating income,improve profits,gearing and current ratio and cash accruals shall be key rating sensitivities

Positive: The ratings may be upgraded if there is timely repayment of debt obligations,profitability, liquidity and overall credit profile show substantial improvement

Negative:The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level

Liquidity Position: Stretched

The firm’s liquidity position is stretched with current ratio of 0.81 times in FY 19 which has slightly improved to 0.84 times in FY 20 Prov.Net Cash Accruals of the firm for FY 19 Aud are negative and stand at Rs -2.71 Crs and have improved in FY 20 Prov at Rs 0.56 Crs.The Average Utilization is around 99% from April 2020 till Sep 2020

About the Company

Shree Durga Cashews is a proprietorship concern owned by Sneha Shetty. The firm was established in the year 2014 and is engaged in processing of raw cashew nuts. SDC imports raw cashews shells from Dubai, Karnataka, Maharashtra and further processes them to sell it to traders and wholesalers. The firm has a factory located in Shimoga, Karnataka with a utilization capacity of 83.33 %.

Company Financial Performance

The company has reported TOI of Rs 16.86 Crs as per FY 19 Aud and TOI of Rs 18.08 Crs as per FY 20 Prov. The company has reported PAT of Rs -2.91 Crs as per FY 19 Aud and for FY 20 Prov, PAT stands at Rs 0.21Crs

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	Rs in Crores	16.86	19.47
EBITDA	Rs in Crores	-1.81	1.47
PAT	Rs in Crores	-2.91	0.36
Tangible Net worth	Rs in Crores	-0.41	2.54
Total Debt/Tangible Net worth	Times	-22.19	3.40
Current Ratio	Times	0.81	1.23

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY -NA

RATING HISTORY OF LAST THREE YEARS (Including withdrawn/suspended ratings)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	2019	2018	15.112017
1)	Fund based OCC	Long Term	3.50	BWR D Downgraded	---	---	BWR B+ Stable Assigned
2)	KCC	Long Term	3.50				
3)	Term Loan-1	Long Term	0.54				
4)	Term Loan-2	Long Term	0.04				
5)	Term Loan-3	Long Term	0.02				
6)	Term Loan-4	Long Term	0.05				
7)	Term Loan-5	Long Term	0.91				
8)	Trust Limit (Sublimit of OCC)	Short Term	-	Rating Withdrawn			BWR A4
	Total		8.56	₹ Eight Crores and Fifty Six Lakhs Only			

RNR on 18 Feb 2019.Rating Advisory on 25 SEP 2020

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**

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Shree Durga Cashews
ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1)	Canara Bank	Fund based OCC	3.50	-	3.50
2)		KCC	3.50	-	3.50
3)		Term Loan-1	0.54	-	0.54
4)		Term Loan-2	0.04	-	0.04
5)		Term Loan-3	0.02	-	0.02
6)		Term Loan-4	0.05		0.05
7)		Term Loan-5	0.91		0.91
TOTAL					8.56

Total Rupees Eight Crores and Fifty Six Lakhs only.

ANNEXURE II
INSTRUMENT (NCD/Bonds/CP) DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NA	NA	NA	NA	NA	NA

ANNEXURE III

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

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