

## Rating Rationale

### Brickwork Ratings assigns 'BWR B' and 'BWR A4' for the Bank Loan Facilities of ₹ 6.06 Cr of Ambica Cashew Industries

Brickwork Ratings (BWR) has assigned the following Ratings<sup>1</sup> for Bank Loan Facilities of ₹ 6.06 Crores.

Facility	Limits ( ₹Cr)	Tenure	Rating
Cash Credit (Fund Based)	3.00	Long Term	BWR B (Outlook: Stable)
LC (Non-Fund Based)	3.00	Short Term	BWR A4 (BWR A Four)
FC (Non-Fund Based)	0.06		
<b>Total</b>	<b>6.06</b>	<b>INR Six Crores and Six Lakhs only</b>	

BWR has essentially relied upon the audited financial results of Ambica Cashew Industries up to FY12, projections for FY13, FY14, and information and clarifications provided by the firm.

The rating factors, inter alia, the experience of proprietor and growth in revenue. However, the rating is constrained by low profitability margins, highly leveraged position and small scale of business operations of the firm.

#### 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.

#### Business Operations:

The firm is primarily engaged in importing and exporting of cashew and cashew products, 50% of the raw material (Cashew) is imported from Singapore, South Africa, Ghana and another 50% bought from the local farmers. After procurement of raw material, the value addition is to be done under the process of steaming, cashew cutting, roasting, peeling, grading and packing.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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**Financial Performance:**

The net revenue has increased from ₹ 9.29 Crores in FY11 to ₹ 20.18 Crores in FY12. The firm has achieved ₹ 23.00 crores of sales as per the provisional figures provided by the firm. The firm's reported operating profit margin of 6.78 per cent and net profit margin of 1.14 per cent for FY12. The firm is highly leveraged with debt equity of 4.84 times in FY12 times. The tangible net-worth was ₹ 0.73 crores for FY12 as on 31<sup>st</sup> March 2013.

**Rating Outlook:**

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 sustain the revenue growth achieved, improve the capital structure along with its profitability margins will be the key rating sensitivities.

**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.

<b>Annexure I</b>		
<b>Ambica Cashew Industries</b>		
<b>Statement of Profit and Loss</b>	<b>In ₹Crores</b>	
	<b>31-03-2011 (Audited)</b>	<b>31-03-2012 (Audited)</b>
Net Sales	<b>9.29</b>	<b>20.18</b>
Other operating Income	-	-
<b>Total Operating Income</b>	<b>9.29</b>	<b>20.18</b>
Operating Expenses	<b>8.75</b>	<b>18.81</b>
<b>Operating Profit Before Depreciation, Interest and Taxes</b>	<b>0.54</b>	<b>1.37</b>
Depreciation	0.06	0.06
<b>Operating Profit Before Interest and Tax</b>	<b>0.48</b>	<b>1.31</b>
Interest and Finance Charges	0.38	0.95
<b>Operating Profit Before Tax</b>	<b>0.10</b>	<b>0.35</b>
Non- Operating Income(Expenses)	0.03	(0.12)
<b>Profit Before Tax</b>	<b>0.13</b>	<b>0.23</b>
Provision for Taxes	-	-
<b>Profit After Tax</b>	<b>0.13</b>	<b>0.23</b>

<b>Annexure II</b>		
<b>Ambica Cashew Industries</b>		
<b>Balance Sheet</b>	<b>In ₹Crores</b>	
	<b>31-03-2011 (Audited)</b>	<b>31-03-2012 (Audited)</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity and Reserves</b>	<b>0.84</b>	<b>0.73</b>
Proprietor Capital	0.84	0.73
<b>Non-current liabilities</b>	<b>0.26</b>	<b>1.02</b>
Long Term Borrowings	0.26	1.02
<b>Current liabilities</b>	<b>1.52</b>	<b>2.73</b>
Short-Term Borrowings from Banks	1.39	2.50
Trade Payables	0.07	0.13
Other Current Liabilities	0.03	-
Short-Term Provision	0.03	0.10
<b>Total Liabilities</b>	<b>2.62</b>	<b>4.48</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>0.41</b>	<b>0.42</b>
Net Fixed assets	0.41	0.42
<b>Current assets</b>	<b>2.21</b>	<b>4.06</b>
Current Investment	0.07	0.03
Inventory	0.85	3.08
Trade Receivables < Six Months	1.24	0.89
Cash and Cash Equivalentents	0.04	0.06
Short-Term Loans and Advances	0.01	0.00
Other Current Assets	-	-
<b>Total Assets</b>	<b>2.62</b>	<b>4.48</b>

Note: Ratios are based on BWR calculations