

Sreelekshmi Cashew Enterprises Private Limited

June 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	30.50	CARE BB-; Stable / CARE A4	Assigned
Short Term Bank Facilities	7.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sreelekshmi Cashew Enterprises Private Limited (SCEPL) is constrained by the modest scale of operations, leveraged capital structure, working capital intensive operations, and presence in a competitive and fragmented industry.

The ratings, however, derive strength from the vast experience of the promoters in the related business and established relationship of the company with its suppliers and customers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above ₹100 Cr while maintaining PBILDT margins above 5-6%.
- Improvement in interest coverage above 2x.

Negative factors

- Further deterioration in working capital cycle impacting the liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the experienced promoters to maintain its business risk profile.

Detailed description of the key rating drivers:

Key weaknesses

Leveraged capital structure

The capital structure of the company stood with an overall gearing at 2.73x as on March 31, 2024, and total outside liabilities to net worth (TOL/TNW) at 2.97x as on March 31, 2024. The debt coverage indicators also stood weak marked by interest coverage of 1.21x and Total Debt to GCA (TD/GCA) of 60.73x as on March 31, 2024, owing to lower absolute profits. The financial risk profile of the company is expected to remain weak in the medium term.

Small scale of operations

The company's scale of operations stood modest with Total Operating income (TOI) of ₹71.88 crores in FY24 (Provisional). The TOI increased by 7.11% in FY24 as against the revenue of ₹67.10 crore reported in FY23. The company is engaged in the business of processing raw cashew nuts into cashew kernels and caters to both domestic and export markets. The revenue contribution from exports sales stood at 26% while the balance of 74% was contributed by domestic sales. The PBILDT margin of the company has remained in the range of 5-6% in the past five years and stood at 6.47% in FY24 (Provisional).

Working capital intensive nature of business

The company's operations are highly working capital intensive marked by high inventory period of 210 days and operating cycle of 230 days. The company maintains higher inventory in form of finished goods to sell under favourable prices. The high operating cycle impacts the overall Liquidity profile of the company.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Presence in competitive and fragmented industry

The cashew industry in India is characterized by intense competition and fragmentation, with the presence of a large number of units due to low entry barriers and a liberal policy regime. The company faces intense competition from other small regional players with limited product lines and a marketing network confined to the local market. This limits the pricing power and the resultant profitability of the industry players in a market which is highly price sensitive.

Key strengths

Extensive experience of the company and long track record of operations

The day-to-day operations of SCEPL is taken care by Mr. Sundaran Prabha, the Managing director along with his wife, Mrs. Sreela Yesodharan. The directors have an experience of over 30 years in the cashew processing industry, which has helped the company to distribute its product in several states across India and abroad. Currently, the company has 11 processing units spread across Kerala and TN.

Long standing associations with customers and suppliers

The company has been present in both the domestic and export market for the past three decades and over the years has built long relationship with its clients resulting in repeat orders. The company primarily exports to European countries including Netherlands, France, Germany and other middle eastern countries. In the domestic market, the company is involved in direct sales to traders across India, who purchase kernels in bulk quantities.

Liquidity: Stretched

The liquidity of the company is stretched marked by low cash accruals vis a vis repayment obligation of ₹1.49 Cr in FY25. The company has a total working capital limit of ₹37.50 Cr with an average utilisation of close to 90% over the last 12 months ending May 31, 2024. The current ratio as on March 31, 2024, stood at 1.43 with the company's cash and bank balance at ₹0.56 cr.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Sreelekshmi Cashew Enterprises Private Limited (SCEPL) commenced its operation under the name, Sreelekshmi Cashew Company, as a proprietorship concern in 1996, which was later converted into a partnership firm with effect from April 1, 2003, and later into a private limited company in December, 2019. The company is managed by Mr. Sundaran Prabha and his wife, Sreela Yesodharan and is involved in the processing of plain cashew kernels from RCNs (raw cashew nuts).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov)
Total operating income	72.18	67.10	71.88
PBILDT	3.52	2.81	4.65
PAT	0.28	0.27	0.31
Overall gearing (times)	2.53	2.58	2.73
Interest coverage (times)	1.33	1.03	1.21

A: Audited Prov: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

SCEPL has not co-operated with CRISIL which has classified it as 'non-cooperative' vide release dated Feb 07, 2024. The reason provided by CRISIL is non-furnishing of information for monitoring of ratings.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer Annexure-4

Lender details: Please refer Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	30.50	CARE BB-; Stable / CARE A4
Fund-based - ST-FBN / FBP		-	-	-	7.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	30.50	CARE BB-; Stable / CARE A4				
2	Fund-based - ST-FBN / FBP	ST	7.00	CARE A4				

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based - ST-FBN / FBP	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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