

## Mahalasa Exports

December 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.00	CARE BB; Stable	Assigned
Short Term Bank Facilities	0.60	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to the bank facilities of Mahalasa Exports is constrained by in modest scale of operations, with decline in revenue of the firm in FY24; albeit recovery witnessed in H1FY25. The ratings continue to remain constrained by Constitution of entity as a proprietorship concern, modest net worth base along with working capital-intensive nature of operations and thin profitability margins in a highly competitive & fragmented industry with susceptibility of profits to volatile price fluctuation of cashew kernel and exposure to foreign exchange fluctuation risk. This along with leveraged capital structure and weak debt coverage indicators marked by TDGCA, continued to remain weak albeit improvement witnessed in FY24 to 16.59x.

The ratings, however, continue to derive strength from its promoters who have more than 3 decade long experience in the business and established relationship with the suppliers and customers in both domestic & international markets.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale along with improvement in margins over 3% on a sustained basis
- Improvement in ROCE over 12% on a sustained basis.
- Improvement in TOL/TNW below 2 times.

#### Negative factors

- Significant decline in TOI with profitability going below 1.5%
- TOL/TNW over 3 times on a sustained Basis

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the firm will continue to witness steady growth in TOI on back of experienced promoter and established relationship with customers in both domestic and international markets.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operation with modest net worth base:

The scale as well as network base of the entity continue to remain modest thus restricting the financials flexibility of the firm. Total Operating Income (TOI) though, remained stable in the last 5 years ended FY24, continued to moderate over last couple of years. The TOI moderated by 17% to Rs.299.3 crore in FY24 over FY23 on account of subdued demand from customers and moderation in sales realisation with competitive landscape. However, lead by improved realisation the entity's TOI was at Rs.143.02 crore for H1FY25. Moreover, consequent to withdrawal of capital in the past the network continued to remain modest which stood at Rs.26.4 crore as on March 31, 2024.

#### Thin Profitability

Firm is a processor of cashew nuts, hence, the value addition remain limited as is evident from thin profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins. However, MHE's PBILDT margins exhibited a stable trend with a PBILDT margin within the range of 1.5-2.6% in the past three years ended FY24. It stood at 2.61% during FY24, with a y-o-y improvement of 98 bps on account of moderation in prices of cashew kernels.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Leveraged capital structure and weak debt coverage indicators

The entity's capital structure remained moderately leveraged consequent to capital withdrawals in the past. However, there has been a capital infusion by partner in FY24, resulting in improvement in capital structure, as is evident from an overall gearing of 1.83x as on March, 31, 2024 (PY: 2.64x). Its debt profile largely comprises external debt in the form of working capital and term debt. The total outside liabilities to net worth stood high at 2.13x as on March, 31, 2024 (moderated from 2.72x as on March, 31, 2023). The debt coverage indicator remained weak marked by Gross Cash Accruals (TD/GCA) ratio remains high at 16.59x in FY24, from 21.27x in FY23; albeit some improvement witnessed in FY24. However, the PBILDT interest coverage ratio remained moderate at 1.86x in FY24 (PY:1.80x).

### Susceptibility of profits to volatile price fluctuation of cashew kernel and exposure to foreign exchange risk:

The products dealt by the firm are cashew kernel which being cultivation-based commodity are highly volatile by nature and affected by regular fluctuations in the prices. Further the profitability margins of the firm are subject to fluctuation in foreign exchange prices. The export sales accounted for 31% of total sales in FY24. while large part of cashew kernel is imported, resulting which the Firm is exposed to foreign exchange fluctuation risk. As a policy the Firm hedges about 10-15% of its exports thus reducing the impact of forex fluctuation to that extent.

### Partnership nature of constitution

Being a partnership firm, MHE is exposed to inherent risk of partners' capital being withdrawn, and firm being dissolved upon the death/retirement/insolvency of partners which may affect financial flexibility of the firm. However, during FY24, partners have infused capital of Rs. 3.27 crore, as against withdrawal capital of Rs. 1.33 in FY23.

### Presence of firm in a 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 firm faces intense competition from other small regional players with limited single line. This limits the pricing power and the resultant profitability of the industry players in a market which is highly price sensitive.

### Key strengths

#### Experienced promoters

MHE is promoted by B Rohidas Pai, B Vanitha Pai, B Priya Pai, B Yashaswini & B Nagesh, Partners, oversees operations. The Key partner Mr. B. Rohidas Pai, who spear heads the business has over 3.5 decades of business. Mahalasa Exports has been in the cashew processing business. The firm has also received several awards from the Ministry of MSME and the Government of India. It has a strong customer base in Middle Eastern countries, Singapore, the U.K., the U.S.A., Canada, Portugal, and other countries

### Established relationship with the suppliers and customers

Firm is in the cashew processing business for the past 35 years and caters to both domestic and international customers. In international markets, the major countries where the firm exports are Saudi Arabia, the USA, Kuwait, Bahrain, and other countries, with the majority of the revenue generated from the domestic market in FY24. The top five customers account for 17.31% of the total turnover (TOI) for FY24. The firm has also received several awards from the Ministry of MSME and the Government of India for export.

### Liquidity: Stretched

Firms' liquidity position remain stretched, with tightly matched cash accruals to meet its debt repayments, leading to reliance on promoter funds for debt repayment. Further, cash flow from operations stood negative at Rs. 1.87 crores and the unencumbered cash and bank balance was modest at around Rs. 0.38 crore as of March 31, 2024.

### 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](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Mahalasa Exports (MHE) is a Udipi (Karnataka) based a partnership firm established in January 1994 and currently looked after by partners B Rohidas Pai, B Vanitha Pai, Priya R Pai, B Yashashwini Pai and B Nagesh Pai. MHE is engaged in processing and packaging of cashew kernels. MHE also exports cashew to Middle East, United Kingdom, and United States etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	359.03	299.30	143.02
PBILDT	5.85	7.81	3.39
PAT	2.07	2.31	1.19
Overall gearing (times)	2.64	1.83	NA
Interest coverage (times)	1.80	1.86	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

\*The financial are re-classified as per CARE internal standards.

**Status of non-cooperation with previous CRA:** Mahalasa Exports has been classified under non-cooperation by issuer category by CRISIL Ratings Limited and Brickworks Ratings India Pvt. Ltd. due to inadequate information provided by the firm.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	40.00	CARE BB; Stable
Non-fund-based - ST-Forward Contract		-	-	-	0.60	CARE A4

#### Annexure-2: Rating history for 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-Working Capital Limits	LT	40.00	CARE BB; Stable				
2	Non-fund-based - ST-Forward Contract	ST	0.60	CARE A4				

LT: Long term; ST: Short term;

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

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-Forward Contract	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

**Contact us**

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**About us:**

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