

Prakash Exports

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.90 (Reduced from 5.00)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	137.00	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to the bank facilities of Prakash Exports (PE) is constrained by the high working capital requirements leading to moderate debt and interest coverage, proprietorship constitution of the firm, moderately leveraged capital structure, and presence in a competitive and fragmented industry. However, the rating derives comfort from the improvement in revenue and EBITDA margins on back of mechanization of kernel processing.

The rating continues to derive strength from the vast experience of the promoter, longstanding track record of the group and established relationship with suppliers and customers in the international market.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Scaling up of operations above Rs. 400 crores and while maintaining PBILDT margins of more than 5% on a consistent basis.
- Improvement in overall gearing below 1.5x.

Negative factors

- Consistent decline in EBIDTA margins below 3%.
- Substantial increase in working capital requirements leading to weakening of Liquidity position
- Any debt funded capex leading to deterioration of Overall gearing to above 4x.

Analytical approach: Combined

CARE Ratings Limited (CARE Ratings) has combined credit risk profile of Prakash Exports and Sunfood Corporation as both entities are engaged in a similar line of business with orders received under common brand and distributed equally among both and have cashflow and financial fungibility.

Outlook: Stable

The 'stable' outlook reflects the group's ability to sustain its operational performance in the medium term benefiting from its healthy market position and experience of the promoters.

Detailed description of key rating drivers:

Key weaknesses

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 group faces intense competition in both its branded segment business and small regional players with limited product lines and 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.

Moderately leveraged capital structure

Capital structure of the group stood moderately leveraged with overall gearing at 3.31x as on March 31, 2024 as against 3.28x as on March 31, 2023. The operations of the group are working capital intensive in nature as the group has to maintain higher inventory owing to seasonal nature of the cashew crop and high dependence on imports for its procurement in the recent past.

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

The debt coverage indicators marked by interest coverage and Total Debt/PBILDT stood stretched at 1.39x and 13.48x respectively as on March 31, 2024.

Constitution of the entity as a proprietorship

PE being a proprietorship firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Further, any substantial withdrawals from capital account would impact the net worth and thereby the financial profile of the firm. Moreover, proprietorship firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Key strengths

Improvement in TOI and PBILDT margins in FY24 and H1FY25

The company's total operating income (TOI) improved to Rs. 305.12 crore in FY24 from Rs. 225.65 crore in FY23. This was due to higher cashew kernel volumes processed in FY24 and improvement in domestic demand for cashew kernels, despite decline in cashew kernel prices. The group undertook a mechanization project, installing machines to modernize its processing facilities, which has aided in reduction of processing costs and improvement in its market share. This has led to an improvement in the PBILDT margin to 5.88% in FY24 from 2.6% in FY23. In H1FY25, PBILDT margins further improved to 11.92% with a turnover of Rs. 153 crore.

Extensive experience of promoters and long operational track record of the group.

The firm belongs to the Vijayalaxmi Cashew Company (VLC) group which was established in 1957 by Mr. Ravindranath Nair engaged in manufacturer/exporter of Cashew Kernels and Cashew Nutshell Liquid. The group is managed by the promoter along with his sons, Mr. Prakash Nair and Mr. Pratap Nair. The proprietorship firms PE and SF were started in the name of the two sons from the year 1985. Both the proprietors have been assisting the business of Vijayalaxmi Cashew Company (VLC) and have more than two decades of experience in the industry. The extensive experience of the promoters plays a major role in the business. The group is highly known for its quality product in the export market and has established a brand presence in Kerala.

Long standing relationships with suppliers and customers

The group caters to both domestic and international customers with revenue being generated in equal proportion from both the markets for the past three years. Due to long term presence of the promoter in the market, the group has maintained strong relations with its clientele base over the years. The group has been present in the export market for the past four decades and primarily caters to customers operating in supermarkets, hotel chains and wholesale distributors across Japan, Middle East and Europe. Due to better quality of Export goods, the group earns better profitability margins from exports. The export orders are received under VLC, which is equally divided between PE and SFC. The domestic sales are based on the capacity of each individual company

Liquidity: Stretched

Liquidity of the group is stretched marked by high utilisation of Working capital limits. The average working capital utilization for limits stood around 70% for the 12 months period ended October 2024. The group has availed a term loan of Rs. 3.9 crore in May 2024 and has adequate accruals against repayment obligation of around 76 lakhs in FY25. In FY24, the inventory stood elevated despite improvement to 155 days (PY:167 days) with an elongated working capital cycle of 187 days (PY:212 days). Majority of the payments for imports are made in advance which keeps the creditors period as low as 3 days. This is matched with the group making most of the sales through advance payments as it sells directly to its customers locally. The group had unencumbered cash and cash equivalents of Rs. 14.43 crores as on March 31, 2024.

Applicable criteria

[Consolidation](#)

[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

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

Established in 1996 by Mr. Prakash Nair, Prakash Exports is a proprietorship firm engaged in cashew processing and exports, based out of Kollam, Kerala, India. The firm is renowned for its expertise in processing and trading high-quality cashew kernels. As a part of Vijalakshmi Cashew Company, one of Kerala's most prominent names in cashew industry established by Mr. Ravindranath Nair in 1957, Prakash Exports continues the legacy of delivering premium cashew products to international markets. With 7 processing units, spread across Andhra Pradesh and Tamil Nadu and a robust capacity to produce 15,000 tonnes per annum, the company caters to a global clientele, exporting cashew kernels and cashew nut liquid to the United States, France, Japan, and Europe as well as domestic sales.

Brief Combined Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	225.65	305.12	152.90
PBILDT	4.65	17.93	18.23
PAT	28.11	10.37	7.46
Overall gearing (times)	3.28	3.31	NA
Interest coverage (times)	0.56	1.39	NA

UA: Unaudited, NA: Not Available, Note: these are latest available financial results

Brief Standalone Financials – Prakash Exports (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	111.18	158.17	80.28
PBILDT	7.04	11.41	11.86
PAT	20.05	2.62	5.70
Overall gearing (times)	2.22	2.32	NA
Interest coverage (times)	1.78	1.86	NA

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

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2031	3.90	CARE BB+; Stable
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing		-	-	-	10.00	CARE BB+; Stable / CARE A4+
Fund-based - LT/ ST-EPC/PSC		-	-	-	127.00	CARE BB+; Stable / 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-Term Loan	LT	-	-	-	1)Withdrawn (06-Mar-24)	1)CARE BB; Stable (16-Mar-23)	-
2	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST	10.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (30-Apr-24)	1)CARE BB+; Stable / CARE A4+ (06-Mar-24)	1)CARE BB; Stable / CARE A4 (16-Mar-23)	-
3	Fund-based - LT/ ST-EPC/PSC	LT/ST	127.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (30-Apr-24)	1)CARE BB+; Stable / CARE A4+ (06-Mar-24)	1)CARE BB; Stable / CARE A4 (16-Mar-23)	-
4	Fund-based - LT-Term Loan	LT	3.90	CARE BB+; Stable	1)CARE BB+; Stable (30-Apr-24)	-	-	-

LT: Long term; LT/ST: Long term/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-Term Loan	Simple
2	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - LT/ ST-EPC/PSC	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 for clarifications.

Contact us

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About us:

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