

## Satyam Enterprises\_Rosalin Sahoo

January 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	49.24 (Reduced from 50.00)	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Satyam Enterprises\_ Rosalin Sahoo is constrained by constitution of the entity as a proprietorship firm, leveraged capital structure and stretched debt protection metrics, presence in a competitive and fragmented industry, susceptibility of operating margins owing to commodity nature of products, project implementation risk and high working capital utilisation leading to stretched liquidity.

The ratings, however, derives strength from the vast experience of the promoters and long track record in cashew processing, established relationship with the suppliers and customers, improved capacity utilisation and modest scale of operations.

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

#### Positive factors

- Increase in revenues above Rs 80 crores and margins above 4% on a sustained basis.
- Improvement in overall gearing below 2.00x

#### Negative factors

- Drop in revenues below Rs 40 crores and operating margins below 3%
- Any unenvisioned capex plan leading to further weakening of capital structure and debt protection metrics from current levels.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects the ability of the company to sustain its operational performance backed by growing demand for cashew products.

### Detailed description of key rating drivers:

#### Key weaknesses

**Constitution of the entity as a proprietorship firm:** Satyam Enterprises being a proprietorship firm, is exposed to inherent risk of the capital being withdrawn at times of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor. Further, any substantial withdrawals from capital account would impact the net worth and thereby the financial profile of the firm, however, there hasn't been much withdrawal of capital in the last 5 years. Moreover, proprietorship firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

**Presence in a competitive and fragmented industry:** The cashew industry in India is characterised by intense competition and fragmentation, with the presence of many units due to low entry barriers and a liberal policy regime. The firm 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.

**Susceptibility of operating margins owing to commodity nature of products:** The firm deals in cashew kernels and raw cashew nuts (RCN) which being commodities are highly volatile by nature and affected by regular fluctuations in the prices.

**Project implementation risk:** The firm is in the process of enhancing its cashew processing capacity from current 10 tonne per day to 30 tonne per day at a cost of Rs.26.48 crore funded through debt of Rs.20.70 crore and rest Rs.5.78 crore through equity/cash accruals vis-a-vis earlier estimated cost of around 33 crores to be funded with a term loan of Rs 25 crores and remaining through equity / internal accruals. Apart from this, the firm will also automate many of the lines in processing, which would lead to less labour cost and save on time. Financial closure has happened from Canara Bank in October 2024. Orders for

<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.

all machines have already been placed and they are expected to reach the site by Jan – Feb 2025. Scheduled commissioning of the project is in April 2025 and debt repayment begins from Aug 2025 and ends in Feb 2032. The proprietor has already brought in Rs.5.78 crore of his share of funding for the said project.

The firm currently has Rs 15 crores of WC limits, however they are seeking enhancement of another Rs 5 crores for the additional capacity which is under process.

**Leveraged capital structure and stretched debt protection metrics:** Although overall gearing ratio of the firm improved from 4.21x as on Mar 31, 2023 to 2.53x as on Mar 31, 2024, the capital structure continues to remain leveraged. This is mainly due to a small net worth base of Rs 7.61 crores as of Mar 31, 2024 (PY: Rs 4.94 crores). Debt protection metrics also stood stretched owing to moderate margins and higher interest outgo pertaining to utilization of cash credit limits, interest coverage and total debt to GCA stood at 1.48 times and 17.51 times in FY24 respectively. Further the gearing ratio is expected to moderate further with debt funded capex.

## Key strengths

**Vast experience of the promoters and long track record in Cashew processing:** The firm Satyam Enterprises is promoted by Mrs Rosalin Sahoo and is actively managed by her husband Mr. Sunil Sahoo, who majorly overlooks most of the operations of the firm. The promoters carry vast experience of over a decade in running this business and has an established presence in Odisha.

**Established relationship with the suppliers and customers:** The firm sells 100% of its products domestically, wherein the firm packages the kernels sales the same to wholesalers, under the firm's own brand. Depending upon the quality, the price per kg varies and ranges between Rs 400 per kg to Rs 600 per kg. Due to long term presence of the promoter in the market, the firm has maintained strong relations with its clientele base over the years and the top 10 customers contributed around 47.3% of the revenues in FY24.

The firm generally sources around 70% through Africa and rest is purchased domestically. The firm purchases from Ivory Coast, Ghana, Cambodia, Indonesia and other regions in Africa. As the harvest season is different across different regions across Africa, generally the raw nuts are available throughout the year. Though the firm doesn't import directly, the firm purchases through intermediary traders.

**Improved capacity utilisation:** The firm's current installed capacity is around 10 tonne per day for Raw Cashew Nuts. When processed, the major product is cashew kernels, however the other by products are Oil and wastage (Biofuel). Of the raw material processed, around 20% Kernels are generated, 30% oil and remaining 50% comes out as waste. Currently the firm is running at around 95% capacity.

The process includes heating of raw nuts in furnace which then later goes through cooling, shelling, peeling, and grading. The operations are mainly labour intensive.

Apart from this the firm has a cold storage, where it can store up to 400 tonnes of kernels and around 1800 tonne capacity to store Oil.

**Modest scale of operations:** The firm's total operating income (TOI) dipped from Rs.54.82 crores in FY23 to Rs 46.18 crore in FY24 due to dip in realization. Of the total sales of Rs 46.18 crores, Rs 36.36 crores was generated from sales of Kernels and remaining through sales of wastage (Biofuels). The firm sold around 796.33 tonnes of Kernels (PY: 775.82 tonnes of Kernels) at an average price of Rs.457 per kg (PY: Rs 550 per kg). In H1FY25, the firm has achieved TOI of Rs.20 crore.

The firm's operating margins improved from 4.86% in FY23 to 8.44% in FY24 due to lower cost of procuring raw cashew nuts.

## Liquidity: Stretched

The liquidity of the firm is stretched due to high average working capital utilisation and a modest GCA against debt repayments. The firm earned a GCA of Rs 1.10 crores against debt repayments of around Rs 0.72 crores on FY24. The average working capital utilisations stood at around 95% for the last 12 months ending October 2024. Most of the WC is required is to fund its inventory levels. Inventory includes both raw material and finished goods inventory (majorly cashew oil which is sold during winters).

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

## 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

Satyam Enterprises a proprietorship concern is engaged in the business of processing of raw cashew nuts to kernels. The firm is in the business for more than a decade and is generally into sales of Kernels through its own brand. Currently the firm has a capacity of 10 tonne per day for processing of kernels and is in the process of increasing the capacity to 30 tonne per day. The firm majorly sales domestically.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	54.82	46.18	20.00
PBILDT	2.66	3.90	-
PAT	0.65	0.45	-
Overall gearing (times)	4.21	2.53	-
Interest coverage (times)	1.76	1.48	-

A: Audited UA: Unaudited; 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-Cash Credit		-	-	-	20.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	-	29.24	CARE B+; Stable

### 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-Cash Credit	LT	20.00	CARE B+; Stable	-	1)CARE B+; Stable (05-Mar-24)	-	-
2	Fund-based - LT-Term Loan	LT	29.24	CARE B+; Stable	-	1)CARE B+; Stable (05-Mar-24)	-	-

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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.

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