



Press Release

Vittal Cashew Industries Private Limited (Erstwhile Vittal Cashew Industries) (VCIPL)

June 28, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Fund Based - Long Term Bank Facilities – Cash Credit	64.00	IVR BB/ Positive (IVR Double B With Positive Outlook)	IVR BB- /Stable (IVR Double B Minus With Stable Outlook)	Upgraded; Outlook revised	Simple
Fund Based - Long Term Bank Facilities – Term Loan	0.00 (Previously 6.77 crore)	-	IVR BB- /Stable (IVR Double B Minus With Stable Outlook)	Withdrawn	Simple
Total	64.00 (Rupees Sixty-Four crore)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgradation of rating & positive outlook reflects to the bank facilities Vittal Cashew Industries Private Limited factors the experienced management and established track record with reputed clientele, improvement in the scale of operation and moderate profitability, and moderate capital structure & debt protection metrics.

The ratings, however, are constrained by highly competitive industry and margins susceptible to volatility in cashew prices, and competition from producing countries.

The rating for term loan of Rs.6.77 crore has been withdrawn been based on the client's request along with No Due Certificate issued by the banker. The rating is withdrawn in line with Infomerics' policy on withdrawal.



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Key Rating Sensitivities:

- **Upward Factors**
 - Substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.
 - Improvement in the operating cycle.
- **Downward Factors**
 - Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
 - Any deterioration in the liquidity and operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and established track record with reputed clientele

VC IPL has a long track record of almost two decades in the industry and promoters have an experience of about five decades in the cashew processing and trading industry. Long standing presence of the promoter in the industry has helped the company to establish a healthy relationship with its customers and suppliers. Recently the company has added big new retail store chain customer which had driven the revenue growth in FY24 (Provisional). Around ~34% sales in FY24[(P) refers to period April 1st, 2023, to Mar 31, 2024] come from this newly added customer.

Improvement in the scale of operation and moderate profitability

In the fiscal year 2024 (FY24), the company experienced an impressive growth in its total operating income, primarily attributed to increased sales realization. The overall operating income for FY24 (Provisional) stood at INR 200.28 Crore, a significant rise from INR 117.32 Crore in FY23. The growth was driven by the company's strategic partnership with the new clients. Even though the EBITDA margin declined significantly due to the discount allowed to distribution channels and customers, In FY24(P) the company achieved an EBITDA of 8.85% (FY23:14.14%). However, in the absolute term EBIDA remains almost same at Rs.17.72 crore



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in FY 24 (FY 23: Rs. 16.59 crore). Infomerics expects further substantial improvement in company operating & financial performance in FY25 and beyond.

Moderate capital structure & debt protection metrics

The company has moderately leveraged capital structure in FY24 as reflected by adjusted overall Gearing ratio of 3.54x, as on March 31, 2024(P). Further the debt protection metrics of the company remained moderate indicated by interest coverage ratio at 1.53x as on March 31, 2024(P). Moreover, the total indebtedness as indicated by adjusted total outside liabilities to tangible net worth ratio of 4.94x as on March 31, 2024(Including subordinated unsecured loans treated as quasi equity of Rs.20.76 crore as on March 31, 2024).

B. Key Rating Weaknesses

Highly competitive industry and margins susceptible to volatility in cashew prices

The cashew industry is characterized by intense competition and easy market entry. Both organized and unorganized players pose a threat to the company. Additionally, as cashew is an agricultural commodity, its prices are prone to significant fluctuations, directly affecting the company's profit margins. The risk of segment and client concentration further adds to the challenges faced by the company. Due to the low value-added nature of the business, operating margins are already thin, making them vulnerable to any adverse movement in raw cashew prices. Ultimately, the company's profitability is highly dependent on the demand-supply dynamics and the decisions of buyers and brokers in determining kernel prices.

Competition from producing countries

With the Mechanization and automation in cashew processing, the raw nut producing countries started processing directly and the products are sold in the international market. This results in double disadvantage to India namely (i) the raw nut supplies are reduced and (ii) the raw nut supplying countries turned out to be India's competitors in the international markets.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Criteria of assigning Rating Outlook

Complexity Level of Rated Instruments/Facilities

Policy on Default Recognition and Post-Default Curing Period

Policy on withdrawal of ratings

Liquidity: Adequate

The company is earning adequate levels of GCA. The expected GCA in the range of Rs.10.00-12.00 crore in FY25 and FY27 are adequate to cover the debt obligation in the range of Rs.1.50-2.00 crore in FY24 and FY27. This indicates adequate degree of liquidity of the company in meeting its obligations. The average working capital utilization stood at 99.79% for the 12 months ended May 2024. The company has current ratio of 1.39x as on 31 March 2024(P). Additionally, the company has cash and cash equivalents of Rs 0.07 Crore as on 31 March 2024(P). The operating cycle albeit improved still remained elongated, at 189 days in FY24 (FY 23:333 days).

About the company

Vittal Cashew Industries Private Limited (VCIPL) (Erstwhile Vittal Cashew Industries) was established and commenced its operations on March 08, 2004, as a partnership firm in Kasargod, Kerala. The firm converted into private limited company in March 2024. Company engaged in the processing raw cashews and sale of raw cashews, cashew kernels, and value-added cashew products. The unit has processing capacity of 14000 tons per annum, and the processed cashew kernels are sold under the brand names Vittal's Balaji Cashews and YUMNUTS.

Financials (Standalone):

INR in Crores		
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	117.32	200.28



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EBITDA	16.59	17.72
PAT	2.29	4.01
Total Debt	71.71	89.51
Adjusted Tangible Net worth**	39.79	25.26
EBIDTA Margin (%)	14.14	8.85
PAT Margin (%)	1.95	2.00
Overall Gearing ratio (X) on Adjusted Tangible Net Worth**	1.80	3.54
Interest coverage (x)	1.31	1.53

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					September 11 2023		
1.	Cash Credit	Long Term	64.00	IVR BB/ Positive	IVR BB-/Stable	-	-
2.	Term Loan	Long Term	0.00	Withdrawn	IVR BB-/Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

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Annexure 1: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	-	-	Revolving	64.00	IVR BB/ Positive

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-VittalCashew-june24.pdf>

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

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.