



Press Release

Vittal Cashew Industries

September 11, 2023

Ratings

Instruments / Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term Bank Facilities – Cash Credit	64.00	IVR BB-/ Stable (IVR Double B Minus With Stable Outlook)	Assigned	Simple
Fund Based - Long Term Bank Facilities – Term Loan	6.77	IVR BB-/ Stable (IVR Double B Minus With Stable Outlook)	Assigned	Simple
Total		70.77 (Rupees Seventy crore and Seventy-Seven lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to Vittal cashew Industries (VCI or The firm) factors in the experience of promoters in the cashew processing and trading, healthy relationship with suppliers and customers, improving scale of operations and moderate profitability.

The ratings, however, are constrained by profitability susceptible to volatility in cashew prices and forex price volatility.



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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

Extensive industry experience of the promoters in cashew processing and trading industry.

VCI 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 firm to establish a healthy relationship with its customers and suppliers.

Improvement in the scale of operations and Moderate Profitability.

The total operating income of the firm registered a growth of around 130% in FY23(P). The overall operating income in FY23(P) stood at INR. 117.47 Crore as compared to INR.51.10 Crore in FY22. The firm has earned EBIDTA of 16.74 Crores in FY23(P) against INR 12.29



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Crores in FY22, the firm registered its PAT margin at 1.66 with the value of INR 1.95 crores in FY23(P) compared to 1.68 with the value of INR 0.86 crore in FY22. The firm has leveraged capital structure in FY23(P) as reflected by Overall Gearing ratio of 1.77x, as on March 31, 2023(P). Further the debt protection metrics of the firm marginally improved as indicated by interest coverage ratio at 1.30x as on March 31, 2023(P) (1.26x as on March 31, 2022), and DSCR at 1.23x as on March 31, 2023(P) (1.19x as on March 31, 2022). Moreover, the total indebtedness as indicated by Total Outside Liabilities to Tangible Net worth ratio of 2.66x.

Till July 2023 the firm achieved a revenue of Rs. 43.01 crore.

Key Rating Constraints

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 firm. Additionally, as cashew is an agricultural commodity, its prices are prone to significant fluctuations, directly affecting the firm's profit margins. The risk of segment and client concentration further adds to the challenges faced by the firm. 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 firm's profitability is highly dependent on the demand-supply dynamics and the decisions of buyers and brokers in determining kernel prices.

Profitability susceptible to volatility in forex fluctuation risk

The firm imports ~20% of its raw material. The margins and revenues remain susceptible to any foreign exchange fluctuations.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)



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Liquidity: Stretched

The liquidity position of the firm is expected to be stretched characterized by gross cash accruals of INR 3.28 Crore in FY23(P) with the cash and bank balance of INR 0.03 Crore. The current ratio remained comfortable at 1.33x respectively as on March 31, 2023(P). The average working capital utilization of the firm were high at ~99.17 for the past 12 months period ended July 2023. Operating Cycle stood to 329 days in FY23(P) when compared to 790 days in FY22.

About the firm

Vittal Cashew Industries (VCI) was established and commenced its operations on March 08, 2004, as a partnership firm in Kasargod, Kerala. It is engaged in the processing of raw cashews. The unit has processing capacity of 8700 tons per shift, and the processed cashew kernels are sold under the brand names Vittal's Balaji Cashews and YUMNUTS. Vittal's Balaji cashews came to be known for premium quality cashew nuts and became one of the prominent brand names in the B2B segment in a short period of time.

Mr. H Santhosh Kamath, Mr. H Sathish Kamath, Mr. H Gokul Das Kamath, Mr. H Ganesh Kamath, and Mr. H Guruprasad Kamath are the partners of the firm.

Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	51.07	117.45
EBITDA	12.29	16.74
PAT	0.86	1.95
Total Debt	71.84	71.72
Tangible Net worth	38.45	40.54
EBIDTA Margin (%)	24.07	14.25
PAT Margin (%)	1.68	1.66
Overall Gearing ratio (X)	1.87	1.77

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding/Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	64.00	IVR BB-/ Stable	-	-	-
2.	Term Loan	Long Term	6.77	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.



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

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	64.00	IVR BB-/ Stable
Term Loan	-	-	-	6.77	IVR BB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: NA.

Annexure 3: Facility wise lender details

Annexure 4: Detailed explanation of covenants of the rated facilities: 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.