

April 17, 2024

## Bluejay Nuts Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term Unallocated Limits	40.00	40.00	[ICRA]BB+ (Stable)/[ICRA]A4+; reaffirmed
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings reaffirmation for Bluejay Nuts Private Limited (BJNPL) considers the long experience of the promoter in the cashew business and the established relationships with key customers, which generate repeat orders. The ratings further draw comfort from BJNPL's comfortable capital structure (TD/TNW) and strong debt coverage indicators although TOL/TNW remains high due to significant dependence on creditor funding.

The ratings, however, consider the susceptibility of BJNPL's profit margins to fluctuations in the prices of its key raw materials (raw cashew nut [RCN] and cashew kernel). The ratings are further constrained by BJNPL's exposure to stiff competition in the domestic and export markets, which along with the lack of product differentiation limits its pricing flexibility. The company also remains exposed to foreign exchange rate fluctuation risk in the absence of any formal hedging policy as 70-80% of its raw material requirements is met through imports from Royal Nuts Pte Ltd, Singapore. Nevertheless, export sales, which contributed only ~6% to the operating income in FY2023, provide a natural hedge to some extent and this proportion is expected to rise by ~28% in FY2024 with increased exports to Spain.

The Stable outlook on the long-term rating reflects ICRA's expectation that BJNPL is likely to sustain its operating metrics even as the revenue growth may moderate. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters in the cashew industry** – Mr. Venkatesan Muthukrishnan, the promoter of BJNPL, has been involved in the cashew business for more than three decades. This has enabled the company to scale up operations in a short span of time. The promoter's family is also involved with other cashew entities in India and overseas, which supports BJNPL's operations.

**Established relationships with customers ensure repeat orders** – The company caters to customers in both domestic as well as export markets, and its clientele comprises food processors and traders. BJNPL has built established relationships with customers since commencement of operations, leading to repeat orders, which also reflect its acceptable product quality.

**Financial risk profile characterised by comfortable capital structure and strong debt coverage indicators, however, TOL/TNW remains high** – BJNPL's debt profile comprised Rs. 0.7-crore vehicle loan as on March 31, 2023. Low reliance on external borrowings has kept the capital structure of the company at a comfortable level over the years, as also reflected by almost nil gearing as on March 31, 2023. The coverage indicators also remained strong in FY2023 as there had been minimal borrowings. However, TOL/TNW stood at a high level of 3.0 times as on March 31, 2023, given its significant dependence on creditor funding. BJNPL procures around 70-80% of its raw material requirements from one of its Group entities (Royal Nuts Pte

Limited), from which it enjoys extended credit period that results in high creditor level. ICRA expects BJNPL's coverage and leverage indicators to moderate to an extent in the near-to-medium term if the company avails working capital facility from banks, which it is contemplating to reduce its dependence on creditor funding. However, the said indicators are still expected to remain within comfortable level.

### Credit challenges

**Susceptibility of profit margins to fluctuations in RCN and cashew kernel prices** – BJNPL's profit margins are susceptible to fluctuations in RCN and cashew kernel prices, which are influenced by agro-climatic conditions, crop quality and demand-supply dynamics, among others.

**Intense competition in domestic and international markets** – The domestic cashew industry is highly fragmented owing to low entry barriers. Further, Indian exporters face intense competition from Vietnamese processors, which enjoy cost advantage because of mechanised processing. Intense competition and low product differentiation limit the company's pricing flexibility, exerting pressure on its margins.

**Exposure to foreign exchange rate fluctuations** – The company imports approximately 90% of its raw material requirement. This exposes it to adverse fluctuations in forex rates as it has no formal hedging policy in place. Nonetheless, ICRA notes that export sales, which accounted for 6% of the operating income in FY2023 and 28% in 9M FY2024, act as a natural hedge to an extent.

### Liquidity position: Stretched

BJNPL's liquidity position is expected to remain stretched in the near-to-medium term with a capex of ~Rs.6 crore incurred in FY2024, funded through internal accruals against lower cash generated from operations. As 70-80% of the required raw materials is sourced from its Group entity, BJNPL enjoys flexible credit terms, easing pressure on its cash flows. Its liquidity, to some extent, is supported by a cash buffer of ~Rs. 1.3 crore as on February 29, 2024.

### Rating sensitivities

**Positive factors** – ICRA could upgrade BJNPL's ratings if there is a substantial improvement in earnings, resulting in strengthening of its net worth position and liquidity.

**Negative factors** – BJNPL's ratings may be downgraded if a significant deterioration in earnings and/or any large unanticipated debt-funded capital expenditure exerts pressure on its liquidity. Specific metrics that could lead to ratings downgrade include an interest coverage of less than 2.8 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of BJNPL.

## About the company

Incorporated in 2015, BJNPL processes cashew kernel and trades in raw cashew nuts. The operations started in March 2019. It has a raw cashew nut processing capacity of around 13,200 MTPA. Major part of BJNPL's sales is made through B2B channels. The company also has its own brand called Bluejay. BJNPL's client base includes traders to food processing companies. Its 70-80% of the raw material requirement is met from Royal Nuts Pte Limited, a Group entity.

## Key financial indicators (Audited)

	FY2022	FY2023	11M FY2024*
Operating income (Rs. crore)	103.1	163.0	137.0
PAT (Rs. crore)	3.1	2.7	4.7
OPBDIT/OI	5.5%	5.3%	6.9%
PAT/OI	3.0%	1.6%	3.4%
Total outside liabilities/Tangible net worth (times)	3.1	3.0	3.0
Total debt/OPBDIT (times)	0.0	0.1	0.0
Interest coverage (times)	34.8	61.9	117.9

Source: Company, ICRA Research; \*Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 17 2024	-	Jan 17, 2023	-
1 Unallocated Limits	Long term and short term	40.0	--	[ICRA]BB+ (Stable)/ [ICRA]A4+	-	[ICRA]BB+ (Stable)/ [ICRA]A4+	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated Limits	NA	NA	NA	40.00	[ICRA]BB+ (Stable)/ [ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

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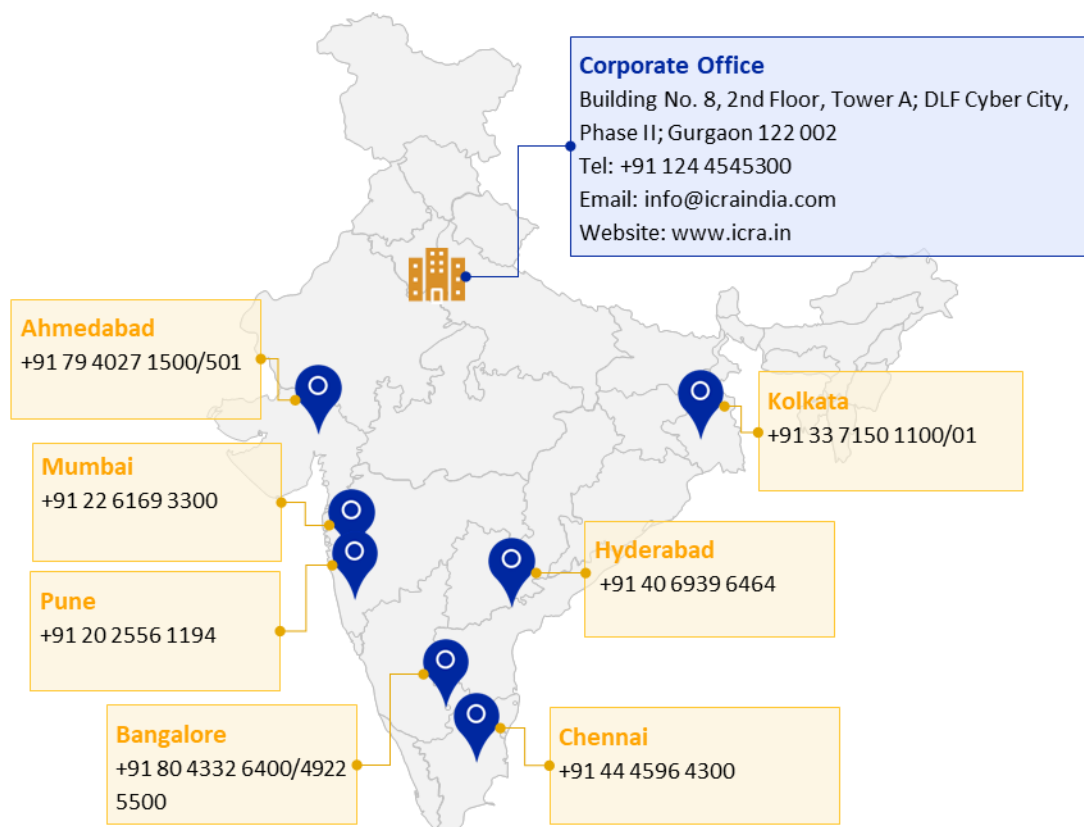


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