

February 10, 2025^(Revised)

India Food Exports: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term / Short-term – Working capital facilities	0.00	180.50	[ICRA]BB (Stable)/[ICRA]A4+; reaffirmed
Long-term – Fund Based – Term Loan	16.15	0.00	-
Short-term – Fund based – Others	225.50	0.00	-
Long-term/Short-term – Unallocated	2.35	0.00	-
Total	244.00	180.50	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation continues to factor in the extensive experience of India Food Exports' (IFE) partners in the cashew processing industry for over three decades, which supports its growth prospects. The ratings also derive comfort from the long relationship of the firm with its reputed customers, ensuring repeat orders. The firm caters to customers in the domestic and export markets, comprising traders and food processors, with which the firm has a long association. The location of its manufacturing facilities in Tamil Nadu and Andhra Pradesh supports the firm's margins to an extent as the employee cost is relatively lower than other states in the region.

The ratings, however, continue to remain impacted by the firm's weakened financial profile, as reflected by losses incurred in FY2024 and the firm's vulnerability to volatility in raw cashew nut (RCN) and cashew kernel prices. The ratings also consider the deterioration in IFE's debt protection metrics owing to losses suffered in FY2024. Nevertheless, ICRA expects the same to improve materially in the current fiscal with the likely increase in the firm's profitability. IFE's working capital intensity also increased in FY2024 on the back of inventory built-up, resulting in utilisation of higher working capital limit and consequently, higher interest cost. While the firm is gradually increasing its domestic sales, given the unfavourable export demand, the firm's revenues in FY2025 are likely to improve significantly along with recovery in profitability, as per ICRA's estimates. ICRA notes the breach in the negative trigger earlier specified, however, it expects that the firm's DSCR will improve materially in the current fiscal vis-à-vis FY2024. The ratings also factor in the intense competition from Vietnam in the export market and from numerous processors in the domestic market, which affect the firm's pricing flexibility. The ratings continue to remain constrained by the vulnerability of the firm's profitability to fluctuations in foreign exchange rates. However, the same is mitigated to an extent by the natural hedge provided through imports and hedging via booking of forward contracts. Further, any adverse regulatory or quality-related risks could impact the firm's business, as witnessed in the past. The ratings also consider the inherent risks associated with partnership firms, including the risk of capital withdrawals, as witnessed in the past.

The Stable outlook on the long-term rating reflects ICRA's expectation that the firm would continue to register a steady growth in sales volumes while maintaining profitable operations, supported by an increase in domestic demand, established customer base and extensive experience of the partners in the cashew industry.

Key rating drivers and their description

Credit strengths

Experience of promoters in cashew processing industry – The Managing Partner, Mr. Satheesh Nair, has an experience of over three decades in the cashew processing industry. His extensive experience supports the firm's growth prospects. The firm has also strategically established its manufacturing facilities in Tamil Nadu and Andhra Pradesh instead of Kerala, considering higher employee expenses in the state, which support its margins to an extent.

Established track record with suppliers/customers and a diversified as well as reputed customer base – The firm's presence in the industry since 1981 has enabled it in establishing strong ties with its key customers (most of which are reputed), which results in repeat orders. Additionally, regular supply of high-quality cashew to the Japan market helps in maintaining comfortable realisations.

Credit challenges

Weakened financial profile owing to losses in the past two fiscals; recovery likely in the current fiscal – The firm's financial profile is marked by its small scale of operations, which witnessed a YoY decline of ~19% in FY2024. Additionally, the firm reported losses at the net level in FY2024, primarily driven by moderation in realisation. Nevertheless, ICRA expects the entity's revenue and profitability to improve sharply in FY2025 on a YoY basis as the firm has already achieved a turnover of Rs. 131.4 crore and a net profit of Rs. 6.0 crore in H1 FY2025. The debt protection metrics of the firm remain subdued, as reflected by a gearing of 2.5 times as on March 31, 2024 (2.0 times as on March 31, 2023) due to high working capital borrowings at the year-end. Further, both interest coverage and DSCR remained low at 0.5 times in FY2024 against 1.5 times and 1.1 times, respectively in FY2023. Moreover, the firm remains exposed to inventory related risks due to volatility in RCN and cashew kernel prices, as witnessed in FY2023 and FY2024. Nevertheless, ICRA believes that consequent to an expected improvement in profitability and working capital cycle in the current fiscal, the debt protection metrics are likely to improve in FY2025.

Margins exposed to volatility in cashew prices and foreign exchange fluctuations – The procurement of RCN is seasonal with the major portion purchased during April-June. The prices of cashew kernels and RCNs vary on a daily basis, depending on the international demand-supply scenario, exposing the company's margins to price fluctuations as well as forex risks. IFE's operating margins declined to 2.6% in FY2024 from 4.0% in FY2023 owing to a sharp decline in realisation. Considering the stabilisation of realisation in FY2025 along with some recovery, the operating margins are likely to improve significantly to around 9.0%.

Exposed to intense competition and agro-climatic risks – The domestic cashew industry is highly fragmented with the presence of many unorganised players owing to low entry barriers. Indian exporters face intense competition from the Vietnamese processors that enjoy cost advantage on account of cheaper labour and mechanised processing. Intense price competition, along with low product differentiation, limits the firm's pricing flexibility. The cashew industry is susceptible to agro-climatic risks, which can affect the availability and quality of RCN and cashew kernels in adverse weather conditions.

Risks related to partnership nature of the firm – IFE is exposed to the risks related to a partnership firm, including the capital withdrawal risk. However, no capital withdrawal has been witnessed in FY2024.

Exposure to changes in trade policies, regulatory changes and quality-related risks – The firm is exposed to risks associated with any adverse change in trade policies and regulations related to import of RCN and export of cashew kernels. Additionally, any quality-related issue could impact its business as well as pricing strength.

Risks associated with debt-funded capex – The firm is undertaking a debt-funded capex towards upgradation of its existing machinery, which if not completed within the planned timelines and budgeted cost, could result in cost overrun. Nevertheless, once completed, the planned capex would improve the firm's operational efficiency and profitability.

Liquidity position: Adequate

IFE's liquidity position remains adequate, supported by positive fund flow from operations of more than Rs. 9.0 crore in FY2025 and cushion in the unutilised working capital limits (enhanced to Rs. 180.5 crore in May 2023 from Rs. 160.0 crore), which would provide buffer to a certain extent for meeting any contingency. The average utilisation of the working capital limits stood at a moderate level of 70% in H1 FY2025 and at around 75% in FY2024. Nevertheless, after the enhancement in the limits and an increase in realisations, the buffer in limits is likely to increase, which would support meeting any contingency. IFE had term loans of Rs. 2.8 crore on its books as on March 31, 2024, the repayment obligation of which stood at around Rs. 2.2 crore in FY2025. Additionally, the firm is undertaking a capex, which is largely funded by fresh long-term loans of around Rs. 6.0 crore. ICRA believes that the partners of the firm would continue to provide need-based support in the form of unsecured loans.

Rating sensitivities

Positive factors – The ratings may be upgraded if the firm demonstrates an improvement in its earnings, liquidity and debt coverage indicators on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is any significant decline in the scale of operations or profitability, leading to weaker coverage indicators. Also, any large capital withdrawal or a significant increase in the working capital intensity, leading to a tightened liquidity position, can trigger ratings downgrade. Specific credit metrics that may trigger ratings downgrade include DSCR of less than 1.1 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile.

About the company

IFE was established by Mr. Satheesh Nair in 1981 as a partnership firm in Kollam, Kerala. The firm primarily processes cashew kernels from RCNs. IFE imports RCNs from African countries (including Ivory Coast, Gambia and Senegal) and processes the same in its manufacturing facilities in Tamil Nadu and Andhra Pradesh. Nearly two third of the cashew kernels is exported, with Japan and West Asian countries being the major export destinations. The rest are sold in domestic markets as plain cashew kernels or value-added cashew kernels (dry roasted, oil roasted, salted or flavoured cashews) under the brand names, Delinut and Delis. Besides, firm's product portfolio in domestic markets consists of other nuts including pistachios and almonds. It also trades in RCNs and sells other byproducts of cashews including cashew nut-shell liquid, cashew husk and cashew shell cake, among others.

The firm has 29 manufacturing facilities spread across Kanyakumari district in Tamil Nadu and East Godavari district (Tuni, Dharmavaram and Kothapalli) in Andhra Pradesh. Some production units are operated on owned factory space, and some are operated under leased processing space. The RCN manufacturing facilities in Tamil Nadu and Andhra Pradesh have a total processing capacity of 18,500 MT.

Key financial indicators (audited)

Kerala Nut Food Co.	FY2023	FY2024	H1 FY2025*
Operating income	317.2	257.8	131.4
PAT	0.2	(9.2)	6.0
OPBDIT/OI	4.0%	2.6%	10.4%
PAT/OI	0.1%	-3.6%	4.6%
Total outside liabilities/Tangible net worth (times)	2.3	2.7	-
Total debt/OPBDIT (times)	9.0	17.5	-
Interest coverage (times)	1.5	0.5	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; * Provisional data

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)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023			Date & rating in FY2022
			Feb 10, 2025	Mar 01, 2024	Feb 05, 2024	Jan 23, 2023	May 30, 2022	Apr 06, 2022	May 11, 2021
1 Working capital facilities	Long-term/short-term	180.50	[ICRA]BB (Stable)/[ICRA]A4+	-	-	-	-	-	-
2 Fund-based-Term loan	Long-term	-	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)
3 Fund-based – Cash credit	Short-term	-	-	-	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
4 Fund-based – Others	Short-term	-	-	[ICRA]A4+	[ICRA]A4+	-	-	-	-
5 Unallocated	Long-term/short-term	-	-	[ICRA]BB (Stable)/[ICRA]A4+	[ICRA]BB (Stable)/[ICRA]A4+	[ICRA]BB+ (Stable)/[ICRA]A4+	-	-	-
6 Fund Based – Cash Credit	Long-term	-	-	-	-	-	-	-	[ICRA]BBB- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Working capital facilities	Simple

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	Working capital facilities	NA	NA	NA	180.50	[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

Corrigendum

Rationale dated February 10, 2025, has been corrected with revision as detailed below:

Change made in the 'Rating history table' on page no. 04.

Added rating as on March 01, 2024

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