

April 28, 2026

Kerala Nut Food Co.: Rating reaffirmed

Summary of rating action

Instrument [^]	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Interchangeable*	(7.00)	(7.00)	[ICRA]BB (Stable); reaffirmed
Short-term – Fund-based	50.00	50.00	[ICRA] A4+; reaffirmed
Short-term – Interchangeable – Others*	(4.00)	(4.00)	[ICRA] A4+; reaffirmed
Short-term – Interchangeable – Letter of Credit*	(5.00)	(5.00)	[ICRA] A4+; reaffirmed
Total	50.00	50.00	

[^]Instrument details are provided in Annexure II; *Sub-limits of Rs. 50-crore short-term, fund-based limit, Interchangeable

Rationale

The ratings reaffirmation of Kerala Nut Food Co. (KNFC) considers the steady operational and financial performance of the entity in the last two fiscals against cash losses incurred during FY2019-FY2024. KNFC has reported operating profit of Rs. 12.3 crore in FY2025 driven by increase in revenues and inventory gains. However, the operating profit was estimated to decline to Rs. 4-4.5 crore in FY2026, on account of delay in shipments of some import orders, unfavorable prices and stiff competition in both domestic and international markets. The ratings continue to factor in the extensive experience of KNFC's partners in the cashew processing industry, and the established relationships with its customers and suppliers. The ratings continue to derive comfort from the established brand position of KNFC in the cashew processing sector, along with its established distribution and sourcing network.

The ratings are, however, constrained by the firm's modest financial profile and volatile profitability. KNFC's capital structure and debt protection metrics remained modest owing to the limited earnings and sizeable interest cost. Going forward, the coverage indicators are likely to remain modest, owing to its low value-added nature of operations and stiff competition in the industry. The ratings also remain constrained by subdued cashew kernel prices and intense competition in the cashew processing industry amid slowdown in demand and low value addition in the business. Given the intense competition faced from other processors, KNFC's operating performance is likely to remain modest over the medium term. The ratings also consider the fragmented nature of the industry and low product differentiation, which limit KFP's pricing flexibility, exerting pressure on the margins. Further, any adverse regulatory or quality-related risks could also 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 seen before.

The Stable outlook on the long-term rating reflects ICRA's opinion that KNFC will continue to benefit from its established market position and customer base developed over the years, through which the firm has been able to generate regular orders. Further, the outlook underlines ICRA's expectation that the entity's incremental capex/investments, if any, to further increase its capacity will be funded in a manner that enables it to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Experience of partners in cashew processing industry – The partners of KNFC have more than two decades of experience in the cashew processing industry. Further, the firm enjoys established relationships with its suppliers, resulting in ease of procuring raw cashew nuts (RCNs).

Established track record with suppliers/customers and a diversified customer base – The firm sells processed cashew kernels mainly to a large and diversified base of wholesalers in the domestic market. Over the past years, it has developed a strong relationship with several wholesale buyers in the domestic market, which is reflected in the regular orders KNFC has received from them. The firm also has healthy relationships with export customers from countries like Japan, Germany, Switzerland, Kuwait, etc. The company's exports stood at around 7% in FY2025 of overall revenues, much lower than previous years since its sales are mainly focussed on the domestic market owing to higher price realisations.

Credit challenges

Weakened financial profile and risks related to partnership nature of the firm – The firm's financial profile is marked by a small scale, which has remained stagnant with cash losses incurred during FY2019-FY2024; although revenues and earnings improved in FY2025. The debt protection metrics of the firm remain subdued due to high working capital borrowings. Moreover, KNFC remains exposed to inventory related risks due to volatility in RCN and cashew kernel prices, as witnessed in FY2023 and FY2024. Further, KNFC is exposed to the risks related to a partnership firm, including the capital withdrawal risk.

Margins exposed to volatility in cashew prices and foreign exchange fluctuations – The procurement of RCN is seasonal with a major share typically purchased during April-June each year. The prices of cashew kernels and RCNs vary on a daily basis, depending on the international demand-supply scenario, exposing the entity's margins to price fluctuations as well as forex risks. Moreover, the availability of RCNs is subject to agro-climatic risks.

Intense competition with low product differentiation and limited value addition limit pricing flexibility – The firm faces stiff competition from many small units within Kerala as well as other neighbouring states. Further, the domestic players face competition from other countries in the export market. The industry is highly fragmented because of the low entry barriers owing to the low capital and technology intensive nature of operations. The industry is highly dependent on labour and is affected by labour shortage issues from time to time. Lack of product differentiation and intense competition restrict its bargaining position and pricing flexibility. 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 issues, as witnessed in the past, could impact its business as well as pricing strength.

Liquidity position: Adequate

KNFC's liquidity is expected to remain adequate, supported by adequate buffer in working capital limit and no term loan repayment obligations in the near to medium term. The average utilisation of working capital limits stood at around 80% of its sanctioned limit during the last 12 months ending in March 2026. Absence of any major capital expenditure plan or term loan repayment obligation is likely to support the liquidity position, going forward.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is significant increase in the company's revenues and earnings, leading to improvement in its debt coverage indicators on a sustained basis, while its liquidity position remains stable.

Negative factors – Pressure on the ratings could arise if there is a material decline in the firm's revenue or earnings, leading to weakening of debt coverage indicators on a sustained basis. Moreover, any large capital withdrawal or an increase in the working capital intensity, leading to deterioration in the liquidity position, could trigger a rating downgrade. Specific credit metrics that could lead to a downgrade include interest coverage of less than 1.5 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

Established in 1965, Kerala Nut Food Company manufactures plain cashew kernels from raw cashew nuts. The firm imports its raw materials primarily from African countries like Guinea Bissau, Ivory Coast, Tanzania, Gambia and Benin, as well as from Indonesia, before processing them at its 22 manufacturing facilities in Kerala and Tamil Nadu. KNFC's facilities have an aggregate installed processing capacity of 77.6 lakh kg/year of RCN on job-work basis. These units pack the processed cashew kernels and exports them (without any value addition) primarily to Japan, the UAE, Kuwait and European markets.

Some of the cashew kernels are also sold locally. In recent years, the company's dependence on domestic sales have increased as the prices for broken cashew kernels is better in India than in export markets. In case the firm is unable to process the required amount of cashew kernels, it also buys processed cashew kernels from other local players and supplies them to its customers directly. The firm also trades in RCNs in the high seas and local markets, apart from selling by-products such as cashew husk and cashew nutshell oil in the local markets.

Key financial indicators (audited)

Kerala Nut Food Co.	FY2024	FY2025
Operating income	56.5	88.1
PAT	(5.8)	9.1
OPBDIT/OI	-6.0%	13.9%
PAT/OI	-10.3%	10.4%
Total outside liabilities/Tangible net worth (times)	1.9	0.1
Total debt/OPBDIT (times)	(6.5)	0.0
Interest coverage (times)	(0.9)	4.7

Source: Company, ICRA Research; 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	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs crore)	April 28, 2026	Date	Rating	Date	Rating	Date	Rating
Interchangeable limits-Others	Long term	(7.00)	[ICRA]BB (Stable)	-	-	Jan 24, 2025	[ICRA]BB (Stable)	Jan 04, 2024	[ICRA]BB (Stable)
Fund-based-Cash credit	Short term	50.00	[ICRA]A4+	-	-	Jan 24, 2025	[ICRA]A4+	Jan 04, 2024	[ICRA]A4+
Interchangeable limits-Letter of credit	Short term	(5.00)	[ICRA]A4+	-	-	Jan 24, 2025	[ICRA]A4+	Jan 04, 2024	[ICRA]A4+
Interchangeable limits-Others	Short term	(4.00)	[ICRA]A4+	-	-	Jan 24, 2025	[ICRA]A4+	Jan 04, 2024	[ICRA]A4+

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

- (@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
- (#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Interchangeable	Simple
Short-term – Fund based	Simple
Short-term – Interchangeable – Others	Simple
Short-term – Interchangeable – Letter of credit	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 II: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit*	NA	NA	NA	(7.00)	[ICRA]BB (Stable)
NA	EPC/PCFC	NA	4.6%	NA	50.00	[ICRA]A4+
NA	FBD*	NA	NA	NA	(4.00)	[ICRA]A4+
NA	Letter of credit*	NA	NA	NA	(5.00)	[ICRA]A4+

Source: Company; *Sub-limits of Rs. 50 crore short-term fund-based limit, Interchangeable

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

Annexure III: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jitinm@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@icraindia.com

Vilasagaram Nandakishore

+91 40 6939 6407

vilasagaram.nandakishore@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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