

Anu Cashews

Instruments	Amounts (Rs. crore ¹)	Rating Action
LT – Cash credit facilities – Sub limit	(2.50)	[ICRA]BB (Stable) reaffirmed
ST – Fund based facilities	15.00	[ICRA]A4+ reaffirmed
ST – Non fund based facilities – Sub limit	(5.00)	[ICRA]A4+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB (pronounced ICRA double B) outstanding on the Rs. 2.50 crore long term fund based facilities (sub limit) of Anu Cashews (“AC”/ “the firm”). ICRA has also reaffirmed the short-term rating outstanding on the Rs.15.00 crore fund based limits and Rs. 5.00 non-fund based facilities (sub limit) of the Firm at [ICRA]A4+ (pronounced ICRA A four plus). The outlook of the long term rating is Stable.

The ratings factor in the experience of the promoters in the cashew processing industry spanning several decades, the firm being part of the broader Kerala-based K. Parameswaran Pillai group (KPP Group / “the Group”) - which has an established brand name in the industry , and AC’s long-standing association with its prime customer vis., Importaco. The ratings consider the increase in revenues during 2014-15, mainly on the back of better realizations amid no significant increase in volumes. Nevertheless, the profit margins have witnessed healthy improvement during 2014-15 with the debt metrics remaining healthy.

The ratings however continue to be constrained by firm’s small scale of operations, high working capital intensity and the vulnerability of the earnings to volatility in the prices of raw cashew nut and kernel, and forex fluctuations amid the limited pricing flexibility in a fragmented market and the low value-added nature of product. The ratings also factor in the susceptibility of the firm’s operations to agro climatic risks and the highly labour-intensive nature of the process, which is a concern due to growing labour shortage. ICRA notes that the company plans to increase mechanization of production to mitigate the impact of labour shortage and also looking at diversifying the revenue stream from windmills (installed in FY15) in the near to medium term; however the translation of the efforts into actual mitigation remains to be seen. ICRA also takes note of the risks of capital continuity and issues of limited disclosures associated with partnership firms.

Firm Profile

Established in 1984, Anu Cashews (AC / “the Firm”) is engaged in the processing of plain cashew kernels from raw cashew nuts (RCNs). The firm imports its raw materials primarily from Africa, processes them in its two manufacturing facilities in Kerala where it has an aggregate installed capacity to process 16 Metric Tonnes (MT) / day, packs the processed cashew kernels and then exports them primarily to Spain. Further, some portion of the cashew kernels produced is sold locally. The firm also sells other by-products such as cashew shells in local markets; however, the income from these sources contributed to minimal revenues for AC during 2013-14.

AC has commissioned two windmills with a capacity of 0.8 MW each, in the Tirunelveli and Dindigul districts of Tamil Nadu respectively, the power produced from which is currently being sold to Tamil Nadu Electricity Board (TNEB). Further, the firm has commissioned another windmill with a capacity of 0.8 MW in Gadag, Karnataka during September 2014, the power produced from which is sold to Karnataka Electricity Board (Hubli).

The firm is part of the broader Kerala based K. Parameswaran Pillai group (KPP Group / “the Group”), which was founded in the early part of the twentieth century by Late Mr. K. Parameswaran Pillai (Late Mr. KPP) and is an established brand name in the global cashew industry. While the group has several companies under its gamut, primarily engaged in cashew processing, AC is part of one of the four sub groups of the KPP Group, managed earlier by Late Mr. Shatrughan Pillai (son of Late Mr. KPP) and currently by Mr. Anu S. Pillai (son of Late Mr. Shatrughan Pillai) and his brother, Mr. Kannan S. Pillai.

Apart from the firm, the partners also have interest in Varunapriya, an entity engaged in freight clearing and forwarding and Srivardhan Trust, which runs a twin theatre in Kollam.

¹ 100 lakh = 1 crore = 10 million



Recent Results

According to audited results, the firm's net profits stood at Rs. 4.6 crore on an operating income of Rs.23.9 crore during FY2014-15. For the fiscal, 2013-14, the firm reported an operating income of Rs. 19.5 crore with a net profit of Rs. 2.1 crore.

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