

Mass Cashews

Instrument	Amounts	Rating Action
	(Rs. Crore ¹)	June 2016
Long-term, fund based facilities	7.50	[ICRA]BB- (Stable) / Upgraded
Long-term, proposed facilities	1.50	[ICRA]BB- (Stable) / Upgraded

ICRA has upgraded long-term rating assigned to the Rs. 7.50² crore fund based facilities and to the Rs. 1.50 crore proposed fund based facilities of Mass Cashews ("MC" / "the Firm") from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]BB- (pronounced ICRA double B minus). The outlook on the long term rating is stable.

The rating upgrade considers the strong growth in revenues of the firm on the back of augmented production capacity, increased domestic demand and expansion in customer base. The rating also takes into account the improvement in MC's capital structure owing to better accruals and capital infusion by the promoters, and the subsequent improvement in coverage and capitalization indicators. The rating continues to draw comfort from the considerable experience of the firm's promoters in the cashew processing industry.

The rating is, however, constrained by the small scale of the firm's operations, which coupled with the low value added nature of operations and the highly competitive environment limits its pricing flexibility, and exposes MC's margins to volatility in raw material prices and exchange rate movements. The rating also considers the risks of the prevalent labour shortage in the region and any adverse regulation change in importing countries. ICRA also takes note of the risks inherent to partnership firms in the form of limited disclosures and issues of capital continuity.

Firm Profile

The firm commenced operations in 2009 as a proprietorship concern founded by Mr. Salim A, and were later converted into partnership firm in 2010. The firm is primarily engaged in the sale of cashew kernels and raw cashew nuts in the domestic market. MC has six manufacturing facilities – four in Tamilnadu and two in Kerala – with an aggregate capacity to process 23 metric tons (MT) of raw cashew nuts per day.

Recent Results

As per provisional and unaudited results for the year 2015-16, the firm reported a net profit of Rs. 1.1 crore on an operating income of Rs. 62.0 crore as against a net profit of Rs. 0.4 crore on an operating income of Rs. 39.1 crore in the previous fiscal.

June 2016

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¹ 100 Lakhs = 1 Crore = 10 Millions

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

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