

Jayalaxmi Enterprises

Instrument	Amount	Rating Action
	Rs. Crore [^]	July 2016
Long Term – Fund Based (CC)	1.25	[ICRA]B+ reaffirmed
Short Term – Fund Based	6.25	[ICRA]A4 reaffirmed
Short Term – Interchangeable*	(2.00)	[ICRA]A4 reaffirmed

* *Sublimit of Short Term – Fund Based limits*

ICRA has reaffirmed the long term rating of **[ICRA]B+** (pronounced ICRA B plus)¹ assigned to the Rs. 1.25 crore long term - fund based facilities (CC) of Jayalaxmi Enterprises (JE / the firm). ICRA has also reaffirmed the short term rating of **[ICRA]A4** (pronounced ICRA A four) assigned to the Rs. 6.25 crore short term - fund based facilities and Rs. 2.00 crore short term - interchangeable facilities of JE. The short term - interchangeable facilities are sub-limits of the short term - fund based facilities.

The reaffirmation in ratings takes into account the long-standing experience of the promoters in the cashew processing industry, the significant growth in the revenues during 2015-16 aided by acquisition of new customers in the Middle East and the comfortable capital structure of the firm. The ratings also take into account the improvement in the working capital intensity owing to the decline in inventory holdings over the years. The ratings are, however, constrained by the weakening of the operating margins and coverage indicators during 2015-16 and its moderate scale of operations which restricts its financial and operational flexibility to an extent. The ratings are also constrained by the competitive nature of the industry which limits the firm's pricing flexibility and exposes the profitability of the firm to volatility in the prices of the raw materials and finished products. Owing to high reliance on exports for its processed cashew kernels, the revenues and margins of the firm remain exposed to the fluctuations in the foreign exchange rates. The firm is also exposed to the inherent risks associated with the partnership nature of the business, including the risks of capital withdrawal and limited ability to raise capital, among others. Going forward, JE's ability to increase its operating margins while maintaining its operating income and capital structure would be the key rating sensitivities.

Entity Profile

Established in 1998, Jayalaxmi Enterprises is a partnership firm promoted by Mr. Vittalaraya Hegde and family. JE is engaged in processing of raw cashew nuts (RCNs) to plain cashew kernels and trading of RCNs and processed kernels. JE has its processing unit in Hosmar in Udupi District, Karnataka with an installed capacity of 1300 MT per annum. The firm sources about 50-60% of its RCN requirements through imports from East and West African countries and the rest from the traders and resellers in Kerala and Karnataka. During 2015-16, the firm derived about 60% of its revenues from exports to the Middle Eastern countries. Trading of RCNs and processed kernels contributed to about 75% of the revenues during 2015-16.

Besides Jayalaxmi Enterprises, the promoters also own two other firms named Laxmidevi Cashews and Manglagowri Exports, also engaged in the cashew processing, with an installed processing capacity of 250 MT and 225 MT per annum respectively. JE uses the facilities of its associates for cashew processing. With its associates, JE has an aggregate manufacturing capacity of 1775 MT per annum.

Recent Results

The firm reported a net profit of Rs. 0.3 crore on an operating income of Rs. 62.2 crore (as per the provisional financials) during 2015-16, as against a net profit of Rs. 0.3 crore on an operating income of Rs. 22.2 crore during 2013-14.

July 2016

¹For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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