



K. Subraya Anantha Kamath & Sons

| Instrument | Amount (Rs. Crore) | Rating Action |
|------------------------------|------------------------|-----------------------------|
| Long-Term Fund Based Limits | 2.00 | [ICRA]BB+ (stable) assigned |
| Short-Term Fund Based Limits | 7.25 | [ICRA]A4+ assigned |

ICRA has assigned [ICRA]BB+ (pronounced as ICRA double B plus) rating to the Rs. 2.00 crore term loans and [ICRA]A4+ (pronounced as ICRA A four plus) rating Rs. 7.25 crore short-term fund based limits of K. Subraya Anantha Kamath & Sons ("KSAK" / "the firm")[†]. The outlook on the long-term rating is stable.

The assigned ratings take into account long standing presence of the promoters in the cashew processing industry with established relationships with both the suppliers and the buyers; relatively comfortable financial profile with low gearing and adequate coverage indicators and steady cash accruals over the years which has supported the capital structure. Nevertheless, the ratings are constrained by the firm's relatively modest scale of operations restricting its operational and financial flexibility; high competitive intensity of the industry with fragmented industry structure and limited product differentiation; susceptibility of the revenues and margins to raw cashew nut and finished kernel price fluctuations given the limited pricing flexibility of the firm and the firm's high working capital requirements towards inventory holding with bulk of the procurement concentrated over a few months. In addition, with labour intensive nature of operations, labour availability remains a major bottleneck for the industry players, although KSAK has been trying to minimise the impact of the same on its operations, through higher degree of automation.

Firm Profile

K. Subraya Anantha Kamath & Sons is primarily engaged in processing of raw cashew nuts (RCNs) into plain cashew kernels and trading of RCNs & cashew kernels. The firm derives majority of its revenues from sale of processed cashew kernels followed by sales of RCN. In addition, the firm also sells various by-products such as cashew kernel husk, cashew shell cake, cashew nut shell liquid (CNSL), cardanol and residol.

The firm was established in 1965 by Mr. Vishwanath Kamath with one plant at Kasargod (Kerala) although Mr. Vishwanath has been in the cashew business since 1945. Presently, KSAK has four partners namely Mr. K. Giridhara Kamath (son of Mr. Vishwanath Kamath), Mrs K. Radha Kamath (wife of Mr. Giridhara Kamath), Mr. K. Pramod Kamath (elder son of Mr. Giridhara Kamath) and Mr. K. Prasad Kamath (younger son of Mr. Giridhara Kamath). Over the years, the operations of the firm have steadily expanded with the firm currently having three plants and an aggregate capacity to process 2MT of kernels per day (on a single shift basis) while 4MT of CNSL products per day. In addition to its own processing capacity, the firm also gets a part of its requirements processed from neighboring processors on a job-work basis.

Recent Results

For 2011-12, the firm's operating income stood at Rs. 33.5 crore with a Profit After Tax (PAT) of Rs. 0.8 crore as against an operating income of Rs. 24.3 crore and PAT of Rs. 1.9 crore during 2010-11.

March 2013

* 100 lakhs = 1 crore = 10 million

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



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