



Western India Cashew Company Private Limited

Instruments	Amount (in Rs. crore)	Rating action
Long term fund based facilities – sub limit	(2.00)	[ICRA]BB (Stable) reaffirmed
Short term fund based facilities #	50.00	[ICRA]A4+ reaffirmed
Short term fund based facilities – sub limit	(21.00)	[ICRA]A4+ reaffirmed
Short term non fund based facilities – sub limit	(9.00)	[ICRA]A4+ reaffirmed

includes a standby line of credit of Rs.4.00 crore, which can be used either as a fund based or as a non fund based facility

ICRA has reaffirmed the [ICRA]BB (pronounced ICRA double B)[†] rating to the Rs. 2.00 crore[†] long term fund based facilities (sub limit) of Western India Cashew Company Private Limited (“WICCPL”/ “the Company”). ICRA has also reaffirmed the [ICRA]A4+ (pronounced ICRA A four plus) rating to the Rs.50.00 crore short term fund based facilities, Rs.21.00 crore short term fund based facilities (sub limit) and Rs.9.00 crore short term non-fund based facilities (sub limit) of the Company. The outlook on the long term rating is stable.

The reaffirmation of ratings takes into account a) the reputation of the promoters in the nut processing industry, b) the company’s diversified nut portfolio comprising of almonds and apricots apart from cashew kernels. c) WICCPL’s significant presence in the value added segment which is marked by existence of few other players, and d) WICCPL’s customer relationships with established domestic and multinational players with addition of new renowned players in its client profile year on year; the low competition and better product differentiation in the value added segment enable relatively better pricing flexibility for the company compared to those in the non value added segment. Also, the company’s manufacturing facilities in Kollam are amongst the top nut processing facilities in the country and the mechanization of majority of activities has insulated WICCPL to a large extent from risks arising from the prevalent labour shortage in the region. The ratings also factor in the healthy revenue growth achieved by the company in 2013-14, with a large part of it driven by incremental volumes.

The ratings are, however, constrained by WICCPL’s financial profile characterized by modest capitalization and coverage indicators, high working capital intensity and weak cash flows, despite improvement in accruals and net margins in 2013-14 compared to 2012-13. A combination of inability to pass on increase in raw material costs completely, lower average realizations from some segments following changes in product mix, and higher employee costs resulted in moderation in operating margins for the company during the year. Nevertheless, effective forex hedging and lower interest outlay compared to the previous year resulted in better net margins and accruals for WICCPL, despite the lower operating profits. Relatively higher debtor and inventory levels for the scale of operations have resulted in high working capital intensity and weak cash flows for the company, although WICCPL has not undertaken any major debt funded capex in 2013-14.

WICCPL would remain exposed to fluctuations in raw material prices for those orders not backed by immediate procurement of raw materials, and to any unfavourable movements in forex, should the company change its hedging/debt availment strategy. The company is also vulnerable to loss of primary customers to competition, given the high customer concentration, and to agro climatic risks. The former is, however, mitigated to a large extent by WICCPL’s reputation, and other strategic advantages the company has compared to other players in the industry.

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

[†]100 lakh=1 crore=10 million



The company does not envisage increase in working capital borrowings or debt funded capex in the medium term. However, the revenues would depend on price movements of nuts and product mix to a reasonable extent, although the company's visibility amongst its existing/potential customers is likely to improve going forward. Also, the margins would depend on the company's ability to pass on any increase in employee or raw material costs in a timely manner. The ability of the company to improve its scale and prevent any drop in margins or deterioration in capitalization and coverage indicators would remain key rating sensitivities.

Company Profile

Incorporated in 2000 and having its roots in a proprietorship entity established as early as 1932, Western India Cashew Company Private Limited (WICCPL/ "the Company") is a well known player in the nut processing industry. The Company, which dealt mainly in plain cashew kernels and RCNs till a few years back, currently focuses in value added nuts. WICCPL derives almost equal revenues from domestic and overseas sales. The company has five manufacturing facilities spread across Kerala and Tamil Nadu.

The company is run by a team led by Mr. Harikrishnan R. Nair, who is a past Chairman of the Cashew Export Promotion Council of India and is a noted person in the industry. The company has a subsidiary in the United States of America (USA) engaged in warehousing, distribution and marketing of nuts in the country. Apart from WICCPL, the promoter also has interest in other companies in similar lines of business as WICCPL, all of which are currently non – operational / have minimal revenues compared to the company.

Recent Results

WICCPL reported an operating income of Rs.146.9 crore during 2013-14, against an operating income of Rs.133.7 crore for the corresponding previous fiscal year. According to unaudited results, the company recorded an operating income of Rs.67.0 crore for the half year April – September 2014.

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