



Press Release

Siva Foods Impex Private Limited January 11, 2024

Ratings Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	34.62 (Reduced from Rs. 35.75 crore)	IVR BB+, Stable (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	8.00 (Reduced from Rs.9.23 crore)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	42.62 INR Forty two crore and sixty two Lakh only			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Siva Foods Impex Private Limited (SFIPL) continues to derive strength from SFIPL's experienced promoters in the cashew processing industry and established relationship with its customers & suppliers. Further, the ratings also consider steady growth in its scale of operation in FY23 supported by comfortable capital structure. However, these rating strengths continues to remain partially offset by working capital intensive nature of operations of the company coupled with thin profitability leading to moderate coverage indicators. The ratings also note the exposure to agro-climatic risk, volatility in prices of raw cashew nuts along with exposure to intense competition, lack of product differentiation limiting pricing flexibility and exposure to foreign exchange rate fluctuation risk.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations and profitability leading to improvement in gross cash accruals
- Sustained capital structure and improvement in debt protection metrics with the overall gearing to below 1.5x and interest coverage ratio to improve over 2.5x
- Improvement in operating cycle leading to improvement in liquidity

Downward Factors



Press Release

- Deterioration in scale of operations and/or moderation in profitability impacting the debt protection metrics
- Withdrawal of subordinated unsecured loan of Rs.14.81 crore
- Any large debt funded capital expenditure leading to moderation in the capital structure marked by deterioration in the overall gearing to over 2x
- Impairment in debt protection metrics marked by moderation in interest coverage ratio to below 1x and/or further elongation in the working capital cycle to over 200 days impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters in the cashew processing industry**

The promoter is involved in processing raw cashew nuts since 2005 and consequently have extensive experience in the cashew processing industry, which aids in its business.

- **Established relationship with customers & suppliers.**

The company have established strong relationship with its customers & suppliers, both in the international and domestic markets, ensuring repeat orders and timely receipt of materials.

- **Stable operating performance**

The total operating revenue of the company registered y-o-y increase of ~22% in FY23 to Rs.131.40 crore from Rs.107.93 crore in FY22 on account of improvement in its sales volume and average sales realisation in per kilogram of cashews sold. Till October 2024, SFIPL has already managed to churn out revenue of ~Rs.85 crore.

- **Comfortable capital structure**

The promoters had infused fresh capital amounting to Rs.3 crore in the business in during FY22. Till FY22 we had considered Unsecured loan from the promoter as debt. However, considering the subordinated unsecured loan amounting to Rs.14.81 crore as quasi equity in FY23, the net worth position (including quasi) of SFIPL has improved and stood moderate at ~Rs.30.78 crore as on March 31, 2023. The debt profile comprises majorly Term loan, working capital loan, packing credit and cash credit facility from the banks. Driven by the improvement in net worth, the adjusted long-term debt equity ratio and the overall gearing ratio has improved and stood comfortable at 0.42x and 1.43x, respectively as on March



Press Release

31,2023 (1.74x & 3.78x respectively as on March 31, 2022). Further, the total indebtedness marked by TOL/ATNW has improved and stood satisfactory at 1.43x as on March 31,2022 against 3.78x as on March 31, 2022.

Key Rating Weaknesses

- **Exposure to agro-climatic risk and volatility in prices of raw cashew nuts**

SFIPL's realisations and margins are exposed to the volatility in the prices of raw cashew nut, which are driven by the global supply-demand scenario. Also, the availability of raw cashew nuts is subject to agro-climatic risks.

- **Intense competition, lack of product differentiation limiting pricing flexibility and exposure to foreign exchange rate fluctuations.**

The domestic cashew industry is fragmented with the presence of a large number of small-scale units. Further, Indian processors face stiff competition from countries such as Vietnam and Brazil. Such high competition and lack of product differentiation restricts SFIPL's growth potential and pricing flexibility, exerting pressure on the margins. Moreover, the company imports raw cashew nuts from countries like Indonesia, Ghana and other African countries as well as exports processed cashew to countries such as Malaysia, Singapore, Japan, Saudi Arabia among others it remains exposed to volatility in foreign exchange rates as well.

- **Thin profitability leading to moderate coverage indicators**

Despite the improvement in topline, the EBITDA margin of the company has moderated from 4.49% in FY22 to 3.34% in FY23 mainly due to increase in container freight charges. Freight shipping rates witnessed sharp increase in the recent past and has severely impacted the company's dependent on shipping lines. However, the PAT margin has slightly improved to 0.54% in FY23 from 0.49% in FY22 mainly driven by higher non-operating income in the form of forex fluctuation gain of ~Rs.1.31 crore. Further, owing to moderation in absolute EBITDA, the debt protection metrics as indicated by interest coverage ratio also declined to 1.19x in FY23 vis-a-vis 1.40x in FY22. Total debt to EBITDA & Total debt to GCA remains stretched at 9.69x & 26.42 years respectively as on March 31,2023.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive as reflected by its elongated operating cycle of 160 days as on March 31, 2023 (178 days as on March 31,2021). The



Press Release

operating cycle though improved continues to remain high mainly due to its high inventory period. Cashew being a seasonal product requires inventory holding. Further, high working capital utilisation imparts low liquidity buffer for the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

Liquidity – Adequate

SFIPL is expected to generate a steady and healthy cash ranging ~Rs.5-8.50 crore in the projected period of FY24-FY26 which would be sufficient to meet its debt repayment obligation of ~Rs.2.29-2.01 crore during the aforesaid period. Moreover, the liquidity position of the company is expected to remain adequate, supported by its comfortable capital structure. However, working capital intensive operations as reflected in its operating cycle of 160 days in FY23 coupled with almost fully utilised the working capital during past twelve months ending in August 2023, imparts low liquidity buffer.

About the Company

Siva Foods Impex Private Limited (SFIPL), promoted by Mr. Sivakumar, was initially set up as a partnership firm, Siva Traders in 2005. The firm was reconstituted as a private limited company with the current name in 2014. The company processes raw cashew nuts at its facility located at Udayarpalyam, Tamil Nadu. The cashew nuts are sold under the brand name 'Siva Cashews'.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	107.93	131.40
EBITDA	4.85	4.56
PAT	0.53	0.72
Total Debt	57.60	44.15
Tangible Net worth	15.25	15.97



Press Release

For the year ended* / As On	31-03-2022	31-03-2023
Tangible Net worth (including quasi equity)	15.25	30.78
EBITDA Margin (%)	4.49	3.47
PAT Margin (%)	0.49	0.54
Overall Gearing Ratio (x)	3.78	3.69
Overall Gearing Ratio adjusted (x)	3.78	1.43

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

CRISIL has continued the rating of SFIPL under Issuer Not Co-operating vide its press release dated January 01, 2023, for non-submission of information by the company.

Acuite ratings has continued the rating of SBIPL under Issuer Not Co-operating vide its press release dated May 11, 2023, for non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 25, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Dec 06,2022)	Date(s) & Rating(s) assigned in 2021-22 (Sept 14 2021)
1.	Term Loan & GECL	LT	9.62	IVR BB+/Stable	IVR BB+/Stable	IVR BB; Issuer Not Cooperating	IVR BB+/Stable
2.	Cash Credit	LT	25.00	IVR BB+/Stable	IVR BB+/Stable	VR BB; Issuer Not Cooperating	IVR BB+/Stable
3.	Packing Credit	ST	6.00	IVR A4+	IVR A4+	IVR A4; Issuer Not Cooperating	IVR A4+
4.	FBP/FBN	ST	2.00	IVR A4+	IVR A4+	IVR BB; Issuer Not Cooperating	-

Name and Contact Details of the Rating Analyst:



Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	2029	3.43	IVR BB+/Stable



Press Release

GECL			2027	6.19	IVR BB+/Stable
Cash Credit	-	-	-	25.00	IVR BB+/Stable
Packing Credit	-	-	-	6.00	IVR A4+
FBP/FBN	-	-	-	2.00	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SivaFoods-jan24.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com>.