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Sarveshwar Foods Limited

February 06, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	114.01	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Rating Upgraded	Simple
Short Term Bank Facility	23.80	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	Rating Upgraded	Simple
Total	137.81	Rupees One Hundred Thirty-Seven Crores and eighty one Lakhs Only.			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded long term rating to IVR BBB Plus with a Stable outlook & the Short-Term rating as IVR A2 for the bank loan facilities of Sarveshwar Foods Limited (SFL).

The upgradation of ratings draw comfort from its established track record of operations and experienced promoters, geographical location advantages and growing scale of operations. However, these strengths are partially offset by moderate operating cycle, exposure to agroclimatic risk, fragmented nature of the industry leading to thin profit margins and susceptibility to changes in government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SFL will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders.

IVR has principally relied on the consolidated and standalone financial results of Sarveshwar Foods Limited up to FY24(A) (Review period from April 01, 2023 to March 31, 2024) and H1FY25 unaudited results (Review period from April 01, 2024 to Sep 30, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 1200 crore and EBITDA margins
- Improvement in debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Significant reduction in the scale of operations and profitability margins.
- Deterioration in debt protection metrics and overall gearing.
- Elongation in the operating cycle impacting the liquidity/ unplanned capex deteriorating the financial matrix.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters and Long Track Record of the group:**

Sarveshwar Group, established in 1890, has over 130 years of experience in rice sourcing and processing. Led by a skilled team of promoters, the group has flourished under the leadership of Mr. Rohit Gupta (Chairman) and Mr. Anil Kumar (Managing Director), both with extensive experience in the basmati rice industry. Mr. Gupta, with over two decades of expertise, has received the “Best Industry Award” from the former Chief Minister of Jammu & Kashmir. Mr. Anil Kumar has 14 years of experience overseeing operations and strategic leadership. The group’s leadership team also includes experts in governance, agriculture, marketing, and corporate affairs, contributing to its strong market position. In 2024, Sarveshwar Group achieved revenue of Rs. 869.91 crore and Rs. 504.36 crore in revenue for H1FY2025. The group's strong relationships with suppliers, customers, and industry players have been key to its sustained growth and success in both domestic and international markets.

- **Marginal growth in scale of operations along with improvement in profitability:**

Sarveshwar Group revenue increased by ~25.57% from Rs. 692.75 crore in FY23 to Rs. 869.91 crore in FY24(Aud.). This exceptional growth is largely attributed to the enhanced supply chain capabilities and the successful implementation of the Bharat Rice Scheme by the Government of India. This initiative has significantly broadened the customer base and



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strengthened the market presence. The company's EBITDA improved to Rs. 55.45 crore in FY24 from Rs 34.76 crore in FY23, reflecting a 59.49% increase due to higher sales and more absorption of fixed costs. Consequently, PAT rose by 115.11% to Rs. 16.78 crore in FY24 from Rs 7.80 crore in FY23, in tandem with increase in EBITDA. Margin wise, EBITDA witnessed a marginal increase by 135 basis points in FY24 and stood at 6.37% in comparison to 5.02% in FY23. However, in spite, due to rise in interest costs on account of additional working capital borrowings PAT margins witnessed marginal improvement by 79 basis points to 1.91% in FY24 from 1.12% in FY23. During the H1FY25, the group has achieved a total operating income of Rs. 504.36 crore along with an EBITDA of Rs. 35.94 crore and a PAT of Rs. 11.24 crore

- **Comfortable capital structure and satisfactory debt protection metrics:**

The capital structure of the group had remained moderate. The debt profile of the company primarily consists of terms loans and cash credit availed from working capital requirements. Total debt of the company has increased to Rs. 297.34 crore as on March 31, 2024, from Rs. 286.98 crore as on March 31, 2023 on account of the availment of working capital borrowings to support the increasing scale of operations. The company's tangible net worth has witnessed steady growth, mainly on the back of accretion of reserves due to profits earned by the company, resulting in an increase in tangible net worth to Rs. 251.97 crore as on March 31, 2024 in comparison to Rs. 212.79 crore on March 31, 2023. The overall gearing ratio witnessed an improvement from 1.36 times as on March 31, 2023, to 1.18 times as on March 31, 2024. However, overall indebtedness of the company marked by TOL/TNW moderated from 1.68 times as on March 31, 2023, to 2.14 times as on March 31, 2024, mainly due to significant increase in the sundry creditors as on March 24 to Rs. 152.02 crore from Rs. 29.40 Crore.

- **Diversified Product Portfolio and Quality Packaging:**

Sarveshwar Group offers a wide range of rice products, including traditional basmati, 1121 basmati, Pusa basmati, Sharbati, and non-basmati varieties, available in packaging sizes from 1 kg to 25 kg. The company also markets organic products under the 'Nimbark' brand, including rice, cereals, pulses, spices, oil, and ghee, sourced primarily from Jammu & Kashmir. Sarveshwar's state-of-the-art facilities in Jammu & Kashmir and neighboring regions ensure



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high-quality milling, grading, and sorting. The company's automated packing process guarantees hygiene and quality control. The rice mill in Badi Brahmna, Jammu, has an impressive milling capacity of 8 tons per hour.

- **Strategic Location and Efficient Procurement Process:**

Sarveshwar Group benefits from its operations in Jammu and Kashmir, a region with diverse agro-climatic conditions ideal for cultivating basmati and non-basmati rice. The fertile, mineral-rich soil and favourable temperatures create an optimal environment for high-quality paddy cultivation. The group strengthens its procurement process by directly sourcing rice from farmers in Jammu & Kashmir, where the absence of a mandi system allows for closer relationships and better-quality control. Additionally, Sarveshwar has implemented contract farming for basmati paddy, enabling effective monitoring of input quality and optimizing procurement. The group also sources rice from Uttar Pradesh, Haryana, and Punjab, fostering sustainable relationships with farmers through its Farmer App, which promotes eco-friendly practices and offers technical support. In 2024, Sarveshwar opened four new procurement centres in Baramulla, Pulwama, Kulgam, and Doda. The company's USFDA and BRC-approved processing facilities ensure high food safety and quality standards throughout production.

Key Rating Weaknesses

- **Moderate Working capital intensive nature of operations:**

The moderate working capital management of the company is marked by working capital cycle of 177 days in FY2024, though it has declined from 215 days in FY2023. The creditors period was 41 days in FY2024 as compared to 26 days in FY2023. The inventory holding stood efficient at 142 days in FY2024 as compared to 137 days in FY2023. The company managed its receivables cycle well which gets reflected in the average collection days of around 76 days in FY2024 as compared to 104 days in FY2023. Being an agro-commodity, the procurement of paddy for the entire year is seasonal and happens during the months of October-December which increases the working capital requirement. Also, basmati requires ageing to attain desired quality. The current ratio is adequate at 1.53x as on March 31, 2024.



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- **Susceptibility to changes in government regulations:**

The group is vulnerable to changes in government regulations, which heavily impact its profitability. The minimum support price (MSP) of paddy and rice pricing are key factors that can fluctuate based on government decisions. As rice is an agricultural product, its supply is seasonal and dependent on weather conditions, exposing the firm to risks from unfavourable monsoons or irrigation issues. The company faces difficulty in passing price increases fully to customers, further affecting financial stability. Additionally, the rice industry's regulation of paddy prices, exports, and release mechanisms makes the firm susceptible to shifts in government policies.

- **Exposure to agro-climatic risk:**

Sarveshwar Group is exposed to agro-climatic risks as the cultivation of paddy, its primary raw material, relies on monsoon patterns and irrigation availability. This makes the company vulnerable to fluctuations in paddy supply during unfavourable climatic conditions, such as insufficient rainfall or droughts. Any shortage in paddy availability can lead to price volatility, affecting the firm's ability to maintain stable production costs. As a result, the company faces challenges in ensuring a consistent supply of raw materials, which may impact profitability and operational stability during adverse weather events or changing agricultural conditions.

- **Fragmented nature of the industry leading to thin profit margins:**

The rice-milling industry is characterised by intense competition due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players like Sarveshwar Group. The rice-milling industry is characterised by intense competition and consequent low entry barriers, limiting the pricing flexibility of players like Sarveshwar.

Analytical Approach: Infomerics has consolidated the business and financial risk profiles of Himalayan Bio Organic Foods Limited, Sarveshwar Overseas Limited, and Sarveshwar Foods Limited, collectively referred to as the **Sarveshwar Group**. Sarveshwar Foods Limited, the parent company, holds a 99% stake in Sarveshwar Overseas Limited, while Himalayan Bio Organic Foods Limited is a wholly owned subsidiary of Sarveshwar Foods Limited. The consolidation is based on their engagement in similar business activities, the holding-



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subsidiary relationship, common management, and strong operational and financial linkages, as well as the fungibility of cash flows between the entities.

Applicable Criteria:

[Rating Methodology for Manufacturing Sector Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Consolidation of companies](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The group has adequate liquidity as seen by gross cash accruals of Rs.18.09 crore in FY2024 as against repayment of long-term borrowings amounting to Rs.14.39 crore. Further, the company is expected to generate cash accruals in the range of Rs. 39.86 – 86.40 crore as against its debt servicing obligation of ~Rs. 15.37 – 4.54 crore FY2025-2027. The overall working capital limits of the group are utilized to the extent of ~90.11% during the past 12 months ended December 2024 indicating moderate liquidity buffer. The current ratio reported by the group is 1.53x in FY2024. Moreover, the group has adequate gearing headroom on the back of its strong capital structure. All these factors reflect adequate liquidity position of the group.

About the Company

Sarveshwar Foods Limited (SFL), established in 2004, is part of the Sarveshwar Group, specializing in the processing and marketing of basmati and non-basmati rice. Based in Jammu, India, SFL serves both domestic and international markets. The company's product range includes traditional basmati, 1121 basmati, Pusa basmati, Sharbati rice, and non-basmati varieties like PR 11 and IR 8. Additionally, SFL offers organic rice, cereals, pulses, spices, oil, and ghee.

Financials (Consolidated):

(Rs. crore)



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For the year ended as on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	692.75	869.91
EBITDA	34.76	55.45
PAT	7.80	16.78
Total Debt	286.98	297.34
Tangible Networkth	212.79	251.97
EBITDA Margin (%)	5.02	6.37
PAT Margin (%)	1.12	1.91
Overall Adjusted Gearing Ratio (x)	1.35	1.18
Interest Service Coverage Ratio (x)	1.35	1.43

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Feb 06, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated : Nov 28, 2022	Date(s) & Rating(s) assigned in 2021-22 Dated : Aug 31, 2021
1.	Fund Based – Term Loan	Long Term	14.01	IVR BBB+/Stable (IVR Triple B Plus with Stable outlook)	-	IVR BBB/ Stable (IVR Triple B with stable Outlook)	IVR BBB-/CWDI (IVR Triple B Minus with credit watch with developing implication)
2.	Fund Based – Cash Credit	Long Term	100.00	IVR BBB+/Stable (IVR Triple B Plus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with stable Outlook)	IVR BBB/ Stable (IVR Triple B with stable Outlook)	IVR BBB-/CWDI (IVR Triple B Minus with credit watch with developing implication)



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3.	Fund Based – Packing Credit Limit	Short Term	5.00	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)/CWDI
4.	Non - Fund Based – LC	Short Term	18.00	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)/CWDI
5.	Non - Fund Based – Forward Cover	Short Term	0.80	IVR A2 (IVR A Two)	-	-	

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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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financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	March 2026	7.43	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)
Term Loan	-	-	Dec 2027	6.58	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)
Cash Credit	-	-	Revolving	100.00	IVR A2 (IVR A Two)
Packing Credit	-	-	-	5.00	IVR A2 (IVR A Two)
Letter of Credit	-	-	-	18.00	IVR A2 (IVR A Two)
Forward Cover	-	-	-	0.80	IVR A2 (IVR A Two)

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sarveshwarfoods-feb25.pdf>



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Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis:

Name of Company	Consolidation approach
Sarveshwar Foods Limited	Full Consolidation
Sarveshwar Overseas Limited	Full Consolidation
Himalayan Bio organic Foods Limited	Full Consolidation

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 www.infomerics.com.