



## Press Release

### Siva Foods Impex Private Limited

January 25, 2023

| <b>Ratings</b><br>Facilities  | Amount<br>(Rs. crore)  | Rating  | Rating Action  | <a href="#">Complexity<br/>Indicator</a> |
|-------------------------------|--|---|--|--|
| Long Term Bank<br>Facilities  | 35.75<br>(Enhanced<br>from 25.25)  | IVR BB+, Stable<br>(IVR Double B Plus<br>with Stable outlook) | Revised from IVR<br>BB; Issuer Not<br>Cooperating<br>(Double B; Issuer Not<br>Cooperating) | Simple                                   |
| Short Term Bank<br>Facilities | 9.23<br>(Enhanced<br>from 3)   | IVR A4+<br>(IVR A Four Plus)                                  | Revised from IVR A4;<br>Issuer Not<br>Cooperating<br>(A Four; Issuer Not<br>Cooperating)   | Simple                                   |
| <b>Total</b>                  | <b>44.98</b><br><b>INR Forty</b><br><b>Four crore</b><br><b>and Ninety</b><br><b>Eight Lakh</b><br><b>Only</b> |   |  |  |

Details of Facilities are in Annexure 1

#### Detailed Rationale

Earlier the ratings assigned to the bank facilities of Siva Foods Impex Private Limited (SFIPL) was moved to issuer not cooperating category because of lack of adequate information received from the company. However, now the company has submitted all the required information to complete the review of ratings. Based on review of the said information, the ratings assigned to the bank facilities of SFIPL is revised and removed from issuer not cooperating category.

The ratings derive strength from SFIPL's experienced promoters in the cashew processing industry and established relationship with its customers & suppliers. Further, the ratings also consider the stable operating performance of the company in FY22. However, these rating strengths continues to remain partially offset by its exposure to agro-climatic risk, volatility in prices of raw cashew nuts, exposure to intense competition, lack of product differentiation limiting pricing flexibility and exposure to foreign exchange rate fluctuation risk. Further, the ratings also note working capital intensive nature of operations of the company leading to leverage capital structure and moderate debt service coverage indicators.

#### Key Rating Sensitivities:



## Press Release

### Upward Factors

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

### Downward Factors

- Deterioration in scale of operations and/or moderation in profitability impacting the debt protection metrics
- Any large debt funded capital expenditure leading to moderation in the capital structure marked by deterioration in the overall gearing to over 4x
- 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 an y-o-y increase of ~34% in FY22 to Rs.108.18 crore from Rs.80.53 crore in FY21 on account of improvement in its sales volume and average sales realisation in per kilogram of cashews sold. Notwithstanding the rise in total operating income, the EBITDA margin of the company has moderated from 5.54% in FY21 to 4.48% in FY22 mainly due to increase in container freight charges. Further, the PAT margin also moderated from 0.94% in FY21 to 0.49% in



## Press Release

FY22 mainly due to rise in finance cost attributable to rise in total debt level. During H1FY23, the company has achieved a revenue of Rs.80.74 crore.

### 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.
- **Financial risk profile characterised by leverage capital structure and moderate debt service coverage indicators**  
The promoters have infused share application money in the business amounting to Rs.3.00 crore in during FY22 to support the business operations. However, SFIPL's debt equity ratio and overall gearing ratio continues to remain high at 1.74x and 3.78x respectively as on March 31,2022. The debt protection metrics also remained average as reflected by interest coverage and Total debt/ EBDITA at 1.51x and 11.88x, respectively as on March 31, 2022.
- **Working capital intensive nature of operations**  
The operations of the company are working capital intensive as reflected by its elongated operating cycle of 178 days as on March 31, 2022 (219 days as on March 31,2021). The operating cycle though improved continues to remain high mainly due to its high inventory period. Cashew being a seasonal product requires inventory holding. Moreover,



## Press Release

the company imports ~80% of its requirement of raw cashew nuts thereby resulting in high inventory holding.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity – Adequate**

SFIPL has working capital intensive operations as reflected in its operating cycle of 178 days in FY22. Further, the average fund based working capital limit utilization of the company also remained high at ~98% in the past twelve months through November 2022.

### **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**

(Rs. crore)

| For the year ended* / As On | 31-03-2021 | 31-03-2022 |
|-----------------------------|------------|------------|
|                             | Audited    | Audited    |
| Total Operating Income      | 80.53      | 108.18     |
| EBITDA                      | 4.46       | 4.85       |
| PAT                         | 0.76       | 0.53       |
| Total Debt                  | 46.54      | 57.60      |
| Tangible Net worth          | 11.72      | 15.25      |
| EBITDA Margin (%)           | 5.54       | 4.48       |
| PAT Margin (%)              | 0.94       | 0.49       |
| Overall Gearing Ratio (x)   | 3.97       | 3.78       |

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**



## Press Release

### Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2022-23) |                                |                |   | Rating History for the past 3 years     |   |   |
|---------|-------------------------------|--------------------------------|--------------------------------|----------------|---|---|---|---|
|         |                               | Type                           | Amount outstanding (Rs. Crore) | Rating         |   | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1.      | Term Loan                     | LT                             | 10.75                          | IVR BB+/Stable | IVR BB; Issuer Not Cooperating(Dec 06,2022) | IVR BB+/Stable (Sept14, 20 21)          | -                                       | -                                       |
| 2.      | Cash Credit                   | LT                             | 25.00                          | IVR BB+/Stable | VR BB; Issuer Not Cooperating(Dec 06,2022)  | IVR BB+/Stable (Sept14, 20 21)          | -                                       | -                                       |
| 3.      | Packing Credit                | ST                             | 6.00                           | IVR A4+        | IVR A4; Issuer Not Cooperating              | IVR A4+(Sept 1 4,2021)                  | -                                       | -                                       |
| 4.      | FBP/FBN                       | ST                             | 3.23*                          | IVR A4+        | -   | -                                       | -                                       | -                                       |

\*Includes proposed limit of Rs.1.23 crore

### Name and Contact Details of the Rating Analyst:

|   |  |
|---|--|
| Name: Mr. Rahul Kr. Shaw<br>Tel: (033) 4803 3621<br>Email: <a href="mailto:rahul.shaw@infomerics.com">rahul.shaw@infomerics.com</a> | Name: Mr. Avik Podder<br>Tel: (033) 4803 3621<br>Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a> |
|---|--|

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



## Press Release

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit <https://www.infomerics.com/>

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on 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        | -                | -                | 2025-26       | 10.75                        | IVR BB+/Stable           |
| Cash Credit      | -                | -                | -             | 25.00                        | IVR BB+/Stable           |
| Packing Credit   | -                | -                | -             | 6.00                         | IVR A4+                  |
| FBP/FBN          | -                | -                | -             | 3.23*                        | IVR A4+                  |

\*Includes proposed limit of Rs. 1.23 crore

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-SFIPL-jan23.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>.



## Press Release

