

## Press Release

Siva Foods Impex Private Limited

12 March, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 38.50 Cr.
<b>Long Term Rating</b>	SMERA BB-/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4+' (read as SMERA A four plus)** on the Rs. 38.50 crore bank facilities of Siva Foods Impex Private Limited (SFIPL). The outlook is '**Stable**'.

The Tamil Nadu-based SFIPL was incorporated in 2011 by Mr. Sivakumar. The company is engaged in the processing of cashews. SFIPL imports cashews from Ghana, Ivory Coast, Tanzania, Mozambique, Benin and also from a few Asian countries such as Philippines and Indonesia. The company sells its products under the brand name 'Siva Cashews'. The installed capacity is 30 metric tons per day.

#### Key rating drivers

##### Strengths

##### **Experienced management**

The Directors, Mr. Sivakumar and Mr. Renganayagi have experience of more than two decades in the cashew processing industry. The extensive experience of the promoters has helped the company establish long term relations with customers and suppliers.

##### Weaknesses

##### **Working capital intensive operations**

The working capital operations are intensive marked by GCA days of 117 in FY2017 as compared to 129 in FY2016. The GCA days are mainly dominated by inventory days of 92 in FY2017 as compared to 113 in FY2016. The company maintains three months of inventory on an average. The fund based bank facilities are fully utilised.

##### **Margins are susceptible to volatility in raw material prices and forex rates**

The prices of the main raw material, raw cashew nut, procured from African countries are highly volatile. The raw material cost stood at ~89 percent of the total sales in FY2017 as against ~88 percent in the previous year. Hence, the profitability of the company is susceptible to the volatility in raw material prices. Further, imports constitute around 75 percent from Ivory Coast, Guinea, Tanzania etc while exports are about 50 percent of sales. Hence, the

profitability of the company is exposed to fluctuations in forex rates in the absence of adequate forex cover.

### Average financial risk profile

The company has networth base of Rs.5.86 crore (includes quasi equity if Rs.1.61 crore) as on 31 March, 2017 as against Rs.3.65 crore in the previous year. The gearing stood high at 2.90 times as on 31 March, 2017 as against 4.85 times in the previous year. The company has moderate coverage indicators with interest coverage of 1.69 times in FY2017 compared to 1.55 times in the previous year. SMERA believes that the coverage indicators will continue to remain at moderate levels in the medium term on account of moderate profitability.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SFIPL to arrive at the rating.

### Outlook – Stable

SMERA believes that SFIPL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or if it registers deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.43	57.13	58.23
EBITDA	Rs. Cr.	3.03	2.75	1.71
PAT	Rs. Cr.	0.59	0.34	0.22
EBITDA Margin	(%)	4.30	4.82	2.95
PAT Margin	(%)	0.84	0.59	0.38
ROCE	(%)	12.25	14.86	24.87
Total Debt/Tangible Net Worth	Times	2.90	4.85	2.35
PBDIT/Interest	Times	1.69	1.48	1.61
Total Debt/PBDIT	Times	5.35	6.44	4.55
Gross Current Assets (Days)	Days	117	129	68

### Status of non-cooperation with previous CRA (if applicable):

CRISIL in its press release dated 27 February, 2018 had inter-alia mentioned the following: 'CRISIL has been consistently following up with Siva Foods Impex Private Limited (SFPL) for obtaining information through letters and emails dated November 14, 2017, January 17, 2018, February 12, 2018 and February 16, 2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative.'

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB-/ Stable
Term Loan – I	Not Applicable	Not Applicable	Not Applicable	0.08	SMERA BB-/ Stable
Term Loan – II	Not Applicable	Not Applicable	Not Applicable	0.86	SMERA BB-/ Stable
Term Loan – III	Not Applicable	Not Applicable	Not Applicable	0.41	SMERA BB-/ Stable
Term Loan – IV	Not Applicable	Not Applicable	Not Applicable	0.59	SMERA BB-/ Stable
Term Loan – V	Not Applicable	Not Applicable	Not Applicable	0.48	SMERA BB-/ Stable
Term Loan – VI	Not Applicable	Not Applicable	Not Applicable	0.08	SMERA BB-/ Stable
Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Long Term (Proposed)	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB-/ Stable

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**ABOUT SMERA**

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