

Press Release

Siva Foods Impex Private Limited

December 17, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE 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.

Analytical Approach

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

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 established track record of operations and extensive experience of the promoters has helped the company establish long term relations with customers and suppliers. Acuité believes that the company will continue to benefit from its established presence in the aforementioned industry.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, gearing and modest debt protection metrics. The Net worth has improved to Rs. 20.48 crore as on 31 March 2019 as against Rs. 19.52 crore as on 31 March 2018. This is mainly due to retention of profits in business Y-o-Y and unsecured loans of Rs. 12.62 crore treated as quasi equity. The gearing stood at 1.39 times as on 31 March, 2019 as against 1.16 times as on 31 March, 2018. The Debt-EBITDA stood high at 6.67 times for FY2019 as against 5.85 times for FY2018. The NCA/TD stood at 0.05 times for FY2019 and FY2018. The interest coverage ratio (ICR) of the company stood at 1.82 times in FY2019 as against 1.71 times in FY2018. The DSCR stood at 1.37 times in FY2019 as against 1.23 times in FY2018. Acuité believes that the financial risk profile will continue to remain moderate over the medium term on account of healthy accretion to net worth and moderate leverage policy.

Weaknesses

- **Working capital intensive operations**

SFIPL operations are working capital intensive in nature marked by Gross Current Assets (GCA) days of 146 as on March 31, 2019 and 170 days as on March 31, 2018. The high GCA days are marked by inventory days of 108 as on March 31, 2019 and 112 as on March 31, 2018. The company imports significant portion (~80 percent) of its raw material requirements and therefore maintains a high inventory holding period. The average cash credit utilisation stood at more than 80 per cent during the year FY2019. Acuité believes, going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

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

The main raw material procured by the company is raw cashew nut from African countries. The price of the raw cashew nut is highly volatile in nature. The raw material cost stood at ~90 percent of the total sales for FY 2019 as against ~91 percent in the previous year. The company imports a significant portion (~80 percent) of its raw material requirement. Hence, the profitability of the company is susceptible to the volatility in raw material prices. Further, the company imports around 80 percent from countries like Ivory Coast, Tanzania, Indonesia amongst others and exports 50 percent of its sales. Hence the profitability of the company is exposed to fluctuation in forex rates in the absence of adequate forex cover.

Rating Sensitivities

- Significant improvement in revenues and profitability
- Further deterioration in working capital management leading to stretched liquidity.

Material Covenants

None

Liquidity Position: Adequate

SFIPL has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.03-1.51 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.47-0.58 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.4-4.00 crore during 2020-22, while its repayment obligations are estimated to be around Rs.0.47 crore. Further, the company's operations are working capital intensive as marked by Gross Current Assets (GCA) of 146 days as on March 31, 2019. However, the average working capital borrowings remains utilised above 80 percent during the FY2019. The current ratio of the group stood healthy at 1.74 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that SFIPL will maintain a 'Stable' outlook and continue to benefit over the medium term on account of the extensive experience of the promoters in this industry. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability supported by healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to higher than expected debt-funded capex or deterioration in working capital.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	106.49	89.05
PAT	Rs. Cr.	0.96	0.76
PAT Margin	(%)	0.90	0.85
Total Debt/Tangible Net Worth	Times	1.39	1.16
PBDIT/Interest	Times	1.82	1.71

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-05-2019	Secured Overdraft	Long Term	16.00	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.08	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.86	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.41	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.59	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.48	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.08	ACUITE BB- (Indicative)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Proposed Long Term Loan	Long Term	18.00	ACUITE BB- (Indicative)
12-03-2019	Secured Overdraft	Long Term	16.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.08	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.86	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.41	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.59	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.48	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.08	ACUITE BB- / Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Long Term Loan	Long Term	18.00	ACUITE BB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00 (Revised from 16.00)	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.86	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.41	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.59	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.48	ACUITE BB- / Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE BB- / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	3.00 (Revised from 2.00)	ACUITE A4+ (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB- / Stable (Reaffirmed)

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