

Press Release

Siva Foods Impex Private Limited

March 16, 2021



Rating reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

About the Company

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 profile of SFIPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and reputed clientele**

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**

SFIPL has above average financial risk profile marked by moderate net worth, gearing and modest debt protection metrics. The net worth of the company has sequentially improved to around Rs.23.58 crore as on 31 March, 2020 as against Rs.20.48 crore as on 31 March, 2019. The Company has followed a conservative financial policy in the past. The same is also reflected through its peak gearing levels of 1.19 times as on 31 March, 2020. The total debt of Rs.28.07 crore as on 31 March, 2020 consists of long term debt of Rs.1.38 crore, unsecured loan amounted to Rs.4.42 Crore and working capital borrowings of Rs.22.28. crore

The moderate profitability levels coupled with modest gearing levels have led to moderate coverage indicators. The interest coverage ratio stood healthy at 1.83 times in FY2020 as compare to 1.82 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.06 times in FY2020 and 0.05 times in FY2019. Debt to EBITDA stood at 6.11 times in FY2020 as against 6.67times in FY2019.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net worth and in absence of any major debt funded capex in near to medium term.

Weaknesses

• Working capital intensive operations

The working capital management of the company stood intensive in FY2020 marked by high Gross Current Assets (GCA) of 176 days in FY2020 as against 147 days in FY2019. The inventory and debtor levels stood at 127 days and 50 days in FY2020 as against 108 and 39 days in FY2019, respectively. The creditor days stood at 11 days in FY2020 as against 1 days in FY2019 as well. The inventory outstanding as on 31st march, 2020 is higher than usual as during the time operations were closed due to COVID-19 pandemic. As a result, the average utilization of bank limits stood high at ~101 per cent in the last six months ending November 2020. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high amount of inventory.

• 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 2020 as against ~91 percent in the previous year. The company imports a significant portion 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 sensitivity

- Improved performance in the current financial year.
- Intensive working capital operation leads to overutilization in the fund based limit.

Material Covenant

None

Liquidity position: Stretched

The Company has stretched liquidity marked by high bank limit utilization. Although, the company generated cash accruals of Rs.1.68 Crore in FY2020 as against CPLTD for Rs.0.48 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.50 Crore to Rs.2.20 Crore during FY2021-23 against the CPLTD in the range of Rs.0.80-1.40 Crore each year for the same period. The company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 176 days in FY2020. As a result, the average utilization of bank limits stood high at ~101.75 per cent in the last six months ending November, 2020. Company maintains unencumbered cash and bank balances of Rs.0.90 Crore as on 31 March 2020. The current ratio stands at 1.85 times as on 31 March 2020.

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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	99.92	106.38
PAT	Rs. Cr.	1.00	0.96
PAT Margin	(%)	1.00	0.90
Total Debt/Tangible Net Worth	Times	1.19	1.39
PBDIT/Interest	Times	1.83	1.82

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

SFIPL's rating was flagged off as Issuer not cooperating with CRISIL, through its rating rationale dated August 19th, 2020. The reason provided by CRISIL ratings is non-furnishing of information by SFIPL.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-December-2019	Secured Overdraft	Long Term	20.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.86	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.41	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.59	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.48	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE BB-/Stable (Reaffirmed)
	Packing Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	13.00	ACUITE BB-/Stable (Reaffirmed)
20-May-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-March-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	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.01	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.52	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.13	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.49	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.48	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.05	ACUITE BB-/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	13.82	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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