

Press Release

SRI VARSHA FOOD PRODUCTS INDIA PRIVATE LIMITED (ERSTWHILE SRI VARSHA FOOD PRODUCTS INDIA LIMITED)

March 04, 2024



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	71.23	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	12.77	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	84.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.84.00 Cr. bank facilities of Sri Varsha Food Products India Limited (ERSTWHILE SRI VARSHA FOOD PRODUCTS INDIA LIMITED) (SVFPIL). The outlook has been revised from '**Negative**' to '**Stable**'.

Rationale for outlook change and reaffirmation:

The reaffirmation and revision in outlook takes into account moderate improvement in scale of operations and stable operating margin in FY2023 as compared to FY2022. The company has reported moderate growth in scale of operations with YOY growth of 14.51 percent as reflected in revenues of Rs.185.10 Cr in FY2023 as against Rs.161.64 Cr in FY2022, the margins during FY2023 stood stable at 6.31 percent against 6.24 percent in FY2022. Revision in outlook also takes into account moderate improvement in the financial risk profile, gearing improved to 1.19 times in FY2023 from 1.54 times in FY2022, Debt – EBTIDA to 4.82 times in FY2023 from 5.48 times in FY2022. TOL/TNW improved to 1.73 times in FY2023 from 2.12 times in FY2022 and the expected improvement in EBTIDA margins and leverage ratios in near to medium term.

The rating reaffirmation takes into account its promoters' extensive experience in food processing industry, presence of assured orders and moderate financial risk profile. These strengths are partially constrained by intensive nature of working capital operations and susceptibility of profitability to volatility in raw material prices and regulatory risks.

About the Company

Established in 2008 and based in Tirupati (Andhra Pradesh), Sri Varsha Food Products India Limited (SVFPIL) specializes in processing and packaging of natural fruit concentrates and pulp. SVFPIL is promoted by Mr. K. Viswanada Naidu and Mr. V. Pradeep Kumar. SVFPIL has two processing units with total processing capacity of around 32,000 Metric Tons (MT) per annum.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SVFPIL to arrive at this rating.

Key Rating Drivers

Strengths

- **Promoters' extensive experience in food processing industry; Established regional player in Andhra Pradesh**

SVFPIL is promoted by Mr. K. Viswanada Naidu and Mr. V. Pradeep Kumar who has been associated with the company since its inception; this has helped SVFPIL to establish strong market presence in the state of Andhra Pradesh. Mr. K. Viswanada Naidu looks after the day-to-day operations of the company and is assisted by team of experienced professionals down the line. Mr. Naidu has more than 30 years' of experience in multiple businesses and has set up the first highly modernized fruit processing unit in the region. Mr. V. Pradeep Kumar has more than 15 years of experience in Fruit Processing industry and developed good understanding in Food and Drug Administration (FDA) rules and Good manufacturing practice (GMP) in Fruit Processing sector. Acuité believes that SVFPIL will continue to derive benefits from its promoter's experience, its established presence and diversified geographical coverage providing healthy revenue visibility over the medium term.

- **Moderate Financial risk profile**

The company's has moderate financial risk profile is marked by moderate net worth, gearing and debt protection metrics. The net worth of the company stood at Rs.47.42 Cr and Rs.36.02 Cr as on March 31, 2023 and 2022 respectively. The gearing stood at 1.19 times as on March 31, 2023 against 1.54 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.78 times and 1.08 times as on March 31, 2023 respectively as against 1.81 times and 1.06 times as on March 31, 2022 respectively. TOL/TNW stood at 1.73 times and 2.12 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 4.82 times as on March 31, 2023 as against 5.48 times as on March 31, 2022. Acuité believes that financial risk profile to remain moderate over the medium to long term period on account of moderate capital structure of SVFPIL.

- **Presence of assured orders; Long standing client relations**

SVFPIL has an assured order of around Rs.166.09 Cr as on Jan 31, 2024 from its regular customers with vintage over 10 years. The revenue in a given year wouldn't deteriorate below Rs.160 Cr as these are assured orders from the existing customers base. There exists a mutual understanding established between these customers and SVFPIL over the years. SVFPIL has assured orders from its customers such as Varun Beverages Limited, Jain Farm Fresh Foods Limited, Nestle Limited amongst others. Despite, the global pandemic, almost all of the assured orders were placed by its existing customers and delivered by SVFPIL. Acuité believes that SVFPIL will continue to derive benefits from these assured orders providing adequate revenue visibility over the near to medium term.

- **VFPIIL aiming for diversification in its product line to reduce revenue concentration**

SVFPIL's flagship product has been mango pulp and concentrate over the years since inception. The management in the last few years has been venturing into various other nonseasonal fruits and vegetables to reduce dependence on seasonal fruit i.e. Mango. SVFPIL's revenue from Green Chilli Paste, Pink Guava Pulp, Red Chilli Paste, Red Papaya Pulp, Tamerind Paste has shown improvement Year-on-Year (YoY) basis. Acuité believes that SVFPIL's ability to diversify into other non-seasonal fruits and vegetables will remain key driver for ensuring healthy business risk profile.

Weaknesses

- **Working capital intensive operations**

The working capital management of the company remained high with high GCA days at 230 days as on March 31, 2023 as against 224 days as on March 31, 2022. The GCA days are majorly marked by high inventory. Inventory days stood at 138 days as on March 31, 2023 as against 108 days as on March 31, 2022. Subsequently, the payable period stood at 50 days as on March 31, 2023 as against 48 days as on March 31, 2022 respectively. The debtor day stood at 48 days as on March 31, 2023 as against 57 days as on March 31, 2022. Further, the average consolidated bank limit utilization in the last twelve months ended December 2023 remained at 85 percent for fund based. Acuité believes that the operations of SVFPIL will remain moderately working capital intensive on account of nature of the food processing industry.

- **Susceptible to volatility in raw material prices and regulatory risks**

The food processing and export business is highly fragmented with presence of several small players and dependence on fruits farms for raw material which limits bargaining power. Additionally, the procurement price of fruits depends on the season and availability during a particular period, which exposes SVFPIL to volatility in product prices. The industry has low entry barriers such as low capital, low technical requirements of the business and liberal policy regime. This has resulted in severe competition and inherently thin profitability margins. Furthermore, as a portion of revenue is generated from exports, credit risk profile remains susceptible to volatility in forex rates. Besides, SVFPIL is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as levy of antidumping duties by importing countries.

Rating Sensitivities

- Higher-than-expected improvement in the scale of operations and profitability as envisaged
- Deterioration in working capital cycle and liquidity profile of the company.
- Weakening of financial risk profile of the company

Liquidity Position: Adequate

The company's liquidity is adequate marked by adequate cash accruals in the range of Rs.4.33 Cr in FY2023 as against its maturing long term debt obligations in the range of Rs.3.49 Cr for the same period. The current ratio stood at 1.62 times as on March 31, 2023. Unencumbered cash and bank balances stood at Rs. 0.29 Cr as on March 31, 2023. SVFPL is expected to generate NCA in range of Rs.4.81-6.50 Cr against modest maturing debt obligations in range of Rs.2.50 -2.34 Cr over the medium term. Acuité believes that the liquidity of the company will improve supported by increase in accruals in the medium term.

Outlook: Stable

Acuité believes that SVFPIL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations and experienced management in the industry and stable operating margins. The outlook may be revised to 'Positive' if SVFPIL registers sustainable improvement in sales volumes and realization per unit of the products offered leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case SVFPIL registers lower-than expected revenues and profitability or any significant stretch in its working capital management or larger than expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	185.10	161.64
PAT	Rs. Cr.	2.02	1.70
PAT Margin	(%)	1.09	1.05
Total Debt/Tangible Net Worth	Times	1.19	1.54
PBDIT/Interest	Times	1.78	1.81

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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2022	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	5.00	ACUITE BBB- Negative (Assigned)
	Term Loan	Long Term	4.17	ACUITE BBB- Negative (Assigned)
	Proposed Long Term Loan	Long Term	0.83	ACUITE BBB- Negative (Assigned)
	Working Capital Term Loan	Long Term	1.01	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Working Capital Term Loan	Long Term	6.26	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Working Capital Term Loan	Long Term	1.67	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	3.31	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	1.45	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	1.00	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	4.00	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Term Loan	Long Term	0.80	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	8.00	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	2.00	ACUITE BBB- Negative (Assigned)
05 Jan 2022	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.80	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.45	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.31	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.67	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	6.26	ACUITE BBB- Stable (Assigned)
	Working Capital Term	Long		

	Loan	Term	1.01	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.77	ACUITE A3 Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.23	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Dec 2026	Simple	1.36	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Apr 2025	Simple	0.53	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2028	Simple	2.37	ACUITE BBB- Stable Reaffirmed Negative

								to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Apr 2029	Simple	3.54	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Mar 2016	Not avl. / Not appl.	10 Jan 2026	Simple	1.84	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	11 Jan 2021	Not avl. / Not appl.	10 Dec 2026	Simple	0.88	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	11 Jan 2021	Not avl. / Not appl.	10 Jan 2026	Simple	0.46	ACUITE BBB- Stable Reaffirmed Negative to Stable
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	25 Mar 2019	Not avl. / Not appl.	10 Aug 2024	Simple	0.15	ACUITE BBB- Stable Reaffirmed Negative to Stable
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	Simple	1.53	ACUITE BBB- Stable Reaffirmed Negative to Stable
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2024	Simple	1.13	ACUITE BBB- Stable Reaffirmed Negative to Stable
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Oct 2026	Simple	3.21	ACUITE BBB- Stable Reaffirmed Negative to Stable

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.