

Svera Agro Limited

July 02, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of Svera Agro Limited (SAL) to CARE B; Stable; Issuer not cooperating [Single B; Outlook: Stable; Issuer not cooperating] and has simultaneously withdrawn it, with immediate effect. The ratings factors in the constraints relating to small scale of operations, leveraged capital structure, weak total debt to GCA and presence in highly fragmented and competitive industry. The rating, however, continues to take comfort from experienced promoters, long track record of operations, and moderate profitability margins

The rating withdrawal is at the request of Svera Agro Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

The total operating income (TOI) of SAL stood small at Rs.38.39 crore in FY21 (refers to the period April 01 to March 31) as compared to Rs.43.73 crore in FY20. The decline in total operating income is on account of lower intake from existing clients. The small scale of operations limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Leveraged capital structure and weak total debt to GCA

The overall gearing ratio stood leveraged at 4.04x as on March 31, 2021 (PY: 5.21x). The improvement in overall gearing is mainly on account of improvement in net worth base.

The total debt to GCA stood weak at 12.83x for FY21 (PY: 14.85x). However, interest coverage ratio stood moderate at 4.44x in FY21 (PY: 4.05x)

Presence in highly fragmented and competitive industry

The company operates in highly fragmented textile manufacturing industry wherein the presence of large number of entities in the unorganized sector and established players in the organized sector limits the bargaining power with customers. Further, the company is also exposed to competitive pressures from domestic players as well as from players situated in China and Bangladesh.

Furthermore, the company had not availed moratorium from bank in light of COVID-19 pandemic for its debt obligations.

Key Rating Strengths

Experienced promoters in the food and food products industry

SAL was incorporated in 1996 as a public limited company however, the operations started in April 2017. It is currently being looked after by Mr. Sukhwant Singh, Ms. Harpreet Kaur and Mr. Mahinder Singh Malhotra as directors. The directors have a total work experience ranging from two decades to three decades in the food products industry which they have gained through SAL and group concern – Bawa Masala Company Private Limited and other regional entities. This has led to management's better understanding of the market and establishment of strong relationship with suppliers as well as customers.

Moderate profitability margins

The profitability margins marked by PBILDT margin and PAT margin stood moderate and improved at 5.21% and 2.29% in FY21 respectively (PY: (4.02% and 1.63% respectively)). The margins improved on account of better coverage of fixed costs.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's policy on default recognition](#)

[CARE's methodology for manufacturing companies](#)

About the company

The entity based in New Delhi, was incorporated in 1997 as a public limited company. However, the operations stated in April 2017. The company is currently being managed by Mr. Sukhwant Singh, Ms. Harpreet Kaur and Mr. Mahinder Singh Malhotra. SAL is engaged in manufacturing, processing, grinding and blending of spices at its manufacturing facility located in Sonipat, Haryana with a total installed capacity of manufacturing 6260 tonne per annum as on December 31, 2018. The product line includes all types of spices like Chaat Masala, Garam Masala, Chana Masala, etc. It sells the blended spices under the brand name – NARPA. Besides SAL, the directors are also associated with the group concern – Bawa Masala Company Private Limited, which is into similar business since 1993.

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	43.73	38.39
PBILDT	1.76	2.00
PAT	0.71	0.88
Overall gearing (times)	5.21	4.04
Interest coverage (times)	4.05	4.44

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Bank Overdraft	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (22-Apr-21)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Feb-20)	1)CARE B+; Stable (18-Jan-19)
2.	Fund-based - LT-Bank Overdraft	LT	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable

					(22-Apr-21)		(11-Feb-20)	(18-Jan-19)
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Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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