

Sri Aishwarya Food Industries Private Limited

March 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	124.40	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	20.60	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Sri Aishwarya Food Industries Private Limited (Aishwarya) is tempered by inability to achieve projected turnover and profits as envisaged, delay in achieving commercial operations, nascent stage of business, working capital intensive business, leveraged capital structure with weak overall gearing, raw material price fluctuation risk, highly fragmented, competitive and regulated industry. The ratings however derive comfort from experienced and resourceful promoters, established relationship with customers and suppliers, favourable location of the unit and recent commencement of commercial operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income of more than Rs 85 crore with satisfactory profitability margins.
- Achieving operational profits on a sustained basis.

Negative factors

- Deterioration in leverage or coverage indicators beyond the projected levels.
- Inability to generate sufficient cash flows as envisaged.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the experience of the promoters and management in the industry

Detailed description of the key rating drivers:

Key weaknesses

Delay in achieving commercial operations

The company has set up rice milling unit at AP. The company has completed the project and started commercial operations from December 2023. The total project cost was Rs 90 crore, which was funded through promoters' contribution of Rs 45 crore and remaining through bank loan.

Commercial date of operation (COD) earlier was expected in Q2FY24, however because of seasonal and teething issues the COD got delayed by a couple of months and was achieved in Nov, 2024. The company has not been able to achieve the envisaged revenue and profits during the current year. Company booked revenue of around Rs 60 crore as of January 31, 2024. FY25 will be company's first full year of operations.

Leveraged capital structure

The capital structure of the company stands leveraged with weak overall gearing marred by low net worth base vis-à-vis high bank borrowings. The ability of the company to improve its cash flows and strengthen its net worth base will remain a monitorable.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Highly fragmented and competitive nature of industry

The Indian rice mill industry is highly unorganized and fragmented in nature. Based on product type, the rice and paddy market can be segmented into variety of products and features a fragmented and competitive landscape owing to the presence of many small-scale companies. The market also features some large companies holding prominent positions, making the market intensely competitive. Nevertheless, due to vast experience of promoters in the industry resulted in establish relations with key customers helped in bagging of orders.

Seasonal nature of business, agro commodity and regulations by government

The major procurement of Paddy happens during the months of October to January and April to July. The firm's raw material being paddy, for proper harvest and availability of paddy, the weather conditions should be adequate. Adverse weather conditions directly affect the supply and availability of the paddy and raw material price fluctuations. The central Government of India (GOI), every year decides a minimum support price of paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Due to the above said regulations along with the intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

Key strengths**Experienced and resourceful promoters**

Aishwarya was incorporated in 2021 and promoted by Mr Satyanarayana as Managing Director along with his family members. Mr Satyanarayana is a qualified graduate and has around three decades of experience in rice milling industry. Mr Sridhar (Director; S/o.Mr Satyanarayana) also a qualified graduate and has around two decades of experience in similar line of industry. All the promoters are actively involved and looks after the overall progress of the project. The promoters have other partnership firm which into rice milling industry namely Sri Lakshmi Srinivasa Modern Rice Mill and Sameera Agro Industries

Established relationship with customer and supplier

The promoters of the company have vast experience in the rice industry business resulted in established relationship with key customer and supplier. Business of the company is likely to benefit from the long presence of promoters in the market and their established relations with the suppliers and clients.

Favourable location of the unit

The processing facility is situated at East Godavari which is one of the largest producers of paddy in India. Local set -up gives the advantage of tightly managed logistics and forwarding arrangements and elimination of intermediaries. The company has advantage in terms of raw material sourcing as the two associate firms are located within vicinity of Aishwarya's facility

Liquidity: Stretched

The liquidity position of the company is stretched as no significant cash flow is generated as of now. However, the company doesn't have loan obligation for FY24 and repayment of Rs 2.7-3 crore is commencing during FY25. Furthermore, the promoters are resourceful and will bring in need based funds to support the operations and debt servicing.

Assumptions/Covenants- NA**Environment, social, and governance (ESG) risks- Nil****Applicable criteria**[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Manufacturing Companies](#)[Financial Ratios – Non financial Sector](#)[Short Term Instruments](#)[Project stage companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Sri Aishwarya Food Industries Private Limited (Aishwarya) incorporated on June 22, 2021 promoted by Mr J Satyanarayana along with his family members. The company has set up rice milling unit at East Godavari, Andhra Pradesh for milling of rice and manufacturing other by products with a proposed installed capacity of 16TPH Rice and 8TPH of Rawa.

Brief Financials: NA, project stage company

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	79.40	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	15-Oct-2032	45.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.60	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	79.40	CARE BB-; Stable	-	1)CARE BB-; Stable (07-Feb-23)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4	-	1)CARE A4 (07-Feb-23)	-	-
3	Fund-based - LT-Term Loan	LT	45.00	CARE BB-; Stable	-	1)CARE BB-; Stable (07-Feb-23)	-	-
4	Non-fund-based - ST-Credit Exposure Limit	ST	0.60	CARE A4	-	1)CARE A4 (07-Feb-23)	-	-

*LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- NA**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated- NA

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80- 46625555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Nivedita Anirudh Ghayal Associate Director CARE Ratings Limited Phone: 914040102031 E-mail: nivedita.ghayal@careedge.in
	Vineeth Mididoddi Analyst CARE Ratings Limited E-mail: vineeth.mididoddi@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**