

## Sachdev Food Products Private Limited

September 23, 2024

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term bank facilities	4.00	CARE BB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	4.00	CARE BB-; Stable / CARE A4	Reaffirmed
Short-term bank facilities	10.00	CARE A4	Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Sachdev Food Products Private Limited (SFPPL) continue to remain constrained by its small scale of operations albeit improving operating margin in FY24 (provisional; refers to the period April 01 to March 31), leveraged capital structure, exposure to vagaries of nature and regulated and fragmented nature of the industry.

The aforesaid constraints are, however, partially offset by the experienced promoters and proximity to raw material sources.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sizeable increase in scale of operations (turnover beyond Rs.75 crore) with improving operating margin (beyond 7.5%) on a sustained basis.
- Improving overall gearing ratio below 1x on a sustained basis.

#### Negative factors

- Any sizeable de-growth in scale of operation (turnover below Rs.35.00 crore) on a sustained basis.
- Significant deterioration in capital structure (overall gearing beyond 3x) and its increased reliance on unsecured loan on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that the entity will continue to benefit from the extensive experience of the promoters in the industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations albeit improving operating margin

The scale of operations of the entity witnessed moderation and continued to remain small marked by total operating income (TOI) of Rs.58.50 crore in FY24 (Prov.) as against Rs.70.34 crore in FY23. The TOI witnessed de-growth of 17% y-o-y in FY24 compared with FY23 on account of increase in volume of rice processing for custom milling rather than processing rice and selling under own brand. The tangible net worth of SFPPL stood at Rs.3.63 crore while the total capital employed stood at Rs.16.68 crore as on March 31, 2024 (Prov.). However, PBILDT margin witnessed improvement from 3.58% in FY23 to 5.13% in FY24 (Prov.).

#### Leveraged capital structure

The capital structure of the company remained leveraged despite improvement in overall gearing ratio from 2.41x as on March 31, 2023 to 2.02x as on March 31, 2024. Majority of the loan comprises of unsecured loans from promoters amounting to Rs.9.85 crore as on March 31, 2024 (Prov.). The debt coverage indicators of the company though witnessed improvement marked by TDGCA improving from 11.82x as on March 31, 2023 to 9.16x as on March 31, 2024, the same continues to remain high.

#### Regulated nature of the industry and exposure to vagaries of nature

The Government of India (GOI), every year decides a minimum support price (MSP) to be paid to paddy growers which limits the bargaining power of rice millers over the farmers. The Centre hiked the minimum support price for kharif crops by 7% for the 2023-24 crop year, with paddy MSP being raised by Rs 143 to Rs 2,183 per quintal, a move aimed at encouraging farmers to bring more area under cultivation and boost their income. The sale of rice in the open market is also regulated by the government through levy of quota, depending on the target laid by the central government for the central pool. Given the market determined

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

prices for finished product vis-à-vis fixed acquisition cost for raw material, the profit margins are highly vulnerable. Also, paddy cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature. Further, for FY25, the government hiked the minimum support price for kharif crops with common paddy (Common) MSP being raised to Rs.2300 per quintal from Rs.2183 per quintal and Rs.2320 per quintal from Rs.2203 per quintal for Grade A paddy for FY25.

### Fragmented and competitive nature of the industry

Rice milling industry is highly fragmented and competitive due to presence of many players operating in this sector owing to its low entry barriers, due to low capital and technological requirements. This has resulted in intense competition which is also fuelled by low entry barriers. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability.

### Key strengths

#### Experienced promoters

SFPPL is engaged in milling of rice since 2003 and has two decades of track record of operations in the industry. Ashok Sachdev, Tarun Sachdev, Arun Sachdev and Mukesh Sachdev having long experience in similar line of business, looks after the day-to-day operations of the company along with a team of experienced professionals who have rich experience in the similar line of business.

#### Proximity to raw material sources

SFPPL's plant is located in Raipur, Chhattisgarh, which is in close proximity to the paddy growing areas of the state. The entire raw material requirement is met locally from the farmers (or local agents) which helps the company to save on substantial amount of transportation cost and also procure raw materials at effective prices. Further, rice being a staple food grain along with India's position as one of the largest producers and consumers, the demand prospects for the industry is expected to remain healthy.

#### Liquidity: Stretched

The liquidity profile of the company is stretched marked by low GCA of Rs.1.22 crore in FY24 (Prov.) vis-à-vis nil debt repayment obligations. The average utilization of the fund-based limits stood low at around 10% during last 12 months ended August 2024. The current ratio of the company stood at 7.09x as on March 31, 2024.

### 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](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Incorporated in January 2003, SFPPL is promoted by the Sachdev family based out of Raipur, Chhattisgarh. The company has been engaged in milling of raw/parboiled non-basmati rice. The milling unit of SFPPL is located at Rawabhata, District - Raipur in Chhattisgarh with a paddy processing capacity of 48,000 MTPA. SFPPL procures paddy from farmers and local agents and sells its finished products through the wholesalers and brokers located in Chhattisgarh. The company sells its products under the brand name of 'Royal Palace' and 'India Queen'. In addition to this, the company is also involved in custom milling (job work) services for FCI (Food Corporation of India) and NAN (Nagrik Aprurti Nigam).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	70.34	58.50
PBILDT	2.52	3.00
PAT	0.38	0.57

Overall gearing (times)	2.41	2.02
Interest coverage (times)	1.64	1.65

A: Audited; Prov.: Provisional; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE BB-; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	4.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	10.00	CARE A4

#### Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable	-	1)CARE BB-; Stable (08-Aug-23)	1)CARE BB-; Stable (06-Sep-22)	1)CARE BB-; Stable (06-Sep-21)
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	4.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (08-Aug-23)	1)CARE BB-; Stable / CARE A4 (06-Sep-22)	1)CARE BB-; Stable / CARE A4 (06-Sep-21)
3	Non-fund-based - ST-Bank Guarantee	ST	10.00	CARE A4	-	1)CARE A4 (08-Aug-23)	1)CARE A4 (06-Sep-22)	1)CARE A4 (06-Sep-21)

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

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

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

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