

Siddhi Vinayak Foods

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.89	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	25.11	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information and No Default Statement (NDS) from Siddhi Vinayak Foods, to monitor the ratings vide e-mail communications dated September 17,2024, September 10,2024, September 05,2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of Siddhi Vinayak Foods will now be denoted as 'CARE B+; Stable; ISSUER NOT COOPERATING*/ CARE A4; ISSUER NOT COOPERATING*'.
Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of the non-availability of requisite information due to non-cooperation by Siddhi Vinayak Foods with CARE Ratings Ltd.'s efforts to undertake a review of the outstanding ratings. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the ratings remain constrained on account of the modest albeit growing scale of operations, low profitability margins, leveraged capital structure and weak debt coverage indicators. The ratings also remain constrained owing to susceptibility to fluctuation in raw material prices and monsoon dependent operations, presence in competitive and fragmented nature of the industry and constitution of the entity being a partnership firm. However, the ratings derive comfort from experienced partners, favourable manufacturing location and comfortable operating cycle.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on January 22,2024, the following were the rating strengths and weaknesses:

Key weaknesses

Modest, albeit growing scale of operations

The firm's scale of operations is growing as marked by the total operating income of Rs.199.97 crore in FY23 (Audited) vis-à-vis Rs. 152.98 crore in FY22 (Audited). The improvement in total operating income is on account of addition of new customers. Nevertheless, the scale remains modest, it limits the firm's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the firm's scale is growing continuously. For the period FY21-FY23, SVF's total operating income grew from Rs. 64.72 crore to Rs.199.97 crore, reflecting a compounded annual growth rate (CAGR) of 45.65% backed by higher intake from the existing customers coupled with addition of new clients. Further, the firm has registered a total operating income of Rs. 182.25 crore in 9MFY24 and is expected to achieve a total operating income of above Rs. 240 crores in FY24.

Low profitability margins

The profitability margins of the firm stood due to presence in a highly competitive and fragmented nature of the industry. The PBILDT margin of the firm declines to 1.91% in FY23 (Audited) vis-à-vis 2.50% in FY22 (Audited), on account of increase in the

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

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cost of raw materials which the firm was unable to pass on completely to its customers. However, the PAT margin stood in line with the previous year at 0.20% in FY23 (Audited). The PBILDT margin is expected to improve and remain in the range of 3.004.00% over the medium term, benefitting from economies of scale.

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2023 (Audited), the debt profile of SVF comprises of utilized balance of working capital limits of Rs.15.48 crore, unsecured loans of Rs. 15.97 crore and term loans of Rs. 2.45 crore against small tangible net worth base of Rs. 2.86 crores. The unsecured loans to the tune of Rs. 12.02 crores are classified as quasi equity in FY23 as the same is subordinated to bank debt as per the sanction letter. The capital structure of the firm stood leveraged, marked by the overall gearing ratio of 1.47x in FY23 (Audited) as against 12.98x in FY22 (Audited), due to firm's high dependence on external borrowings to meet the working capital requirement. The overall gearing ratio is expected to remain in the range of around 4.00x over the medium term. Further, owing to low profitability margins and high debt levels, the debt coverage indicators of the firm stood weak as marked by the interest coverage ratio and total debt to gross cash accruals of 1.41x and 17.70x respectively in FY23 (Audited) vis-à-vis 1.59x and 14.13x respectively in FY22 (Audited).

Susceptibility to fluctuation in raw material prices and monsoon dependent operations

Agro-based industry is characterized by its seasonality, due to its dependence on raw materials whose availability is affected directly by the vagaries of nature. The price of rice moves in tandem with the prices of paddy. The availability and prices of Agro commodities are highly dependent on the climatic conditions. Any adverse climatic conditions can affect their availability and leads to volatility in the raw materials prices. The paddy is the major raw material, and the peak paddy procurement season is during November to January, during which the firm builds up raw material inventory to cater to the milling and processing of rice throughout the year. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices. Since there is a long-time lag between raw material procurement and liquidation of inventory, the firm is exposed to the risk of adverse price movement resulting in lower realization than expected.

Competitive and fragmented nature of the industry

The commodity nature of the product makes the industry highly fragmented, with numerous players operating in unorganized sector with very less product differentiation. The key raw material (i.e., paddy) prices are moderately regulated by government to safeguard the interest of farmers, which in turn limits the bargaining power of rice millers. There are small scale operators which are not engaged into end-to-end processing of rice from paddy, instead they merely complete a small fraction of processing and dispose-off semi-processed rice to other big rice millers for further processing. Further, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Constitution of the entity being a partnership firm

SVF's constitution being a partnership firm has the inherent risk of possibility of withdrawal of capital by the partners at the time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of partners. Moreover, the partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factor affecting the credit decision of lenders.

Key strengths**Experienced partners**

SVF was established as a partnership firm in the year 2020 by two brothers: Mr. Prince Bansal and Mr. Sarthak Bansal. Later in December 2022, Mr. Kailash Bansal and Mr. Lakshay Bansal also joined the firm as partners. All four partners are brothers and managing the day-to-day operations of the firm. Mr. Sarthak Bansal and Mr. Kailash Bansal are postgraduates and, Mr. Lakshay Bansal and Mr. Prince Bansal are graduates. The partners have an experience of around a decade in the rice milling industry through their association with this firm and other group entities.

Favourable manufacturing location

SVF's unit is located in Kaithal, Haryana, which is one of the hubs for paddy/rice, leading to its ample availability. The unit is also situated at a proximity to the grain market which accounts for all raw material (paddy) procurement of the near vicinity resulting in the procurement at competitive rates. The presence of paddy in the region gives SVF an advantage over the competitors in terms of easy availability of the raw material as well as favourable pricing terms. SVF owing to its favourable location can also cut on the freight component of incoming raw materials.

Comfortable operating cycle

The firm's operating cycle stood comfortable at 32 days in FY23 (Audited). SVF is required to maintain an adequate inventory level of its key raw material i.e., paddy, to ensure smooth production process as well as maintains stock of finished product to meet out the immediate demand of its customers which resulted in an average inventory period of 47 days in FY23 (Audited). SVF receives payments from its customers within a week, hence average collection period stood at 9 days in FY23 (Audited). Also, the firm makes payment to its suppliers within a period of 15-20 days, resulting in an average creditors' period of 23 days in FY23 (Audited).

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[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

Established in the year 2020, SVF is an ISO certified (ISO 22000:2018) partnership firm based in Kaithal, Haryana. The firm is engaged in the processing, sorting, and trading of basmati rice at its plant situated in Kaithal, Haryana. The plant operates for more than 300 days in a year and has a milling capacity of 20 MT per hour. The firm procures its key raw material i.e., paddy from traders located in Kaithal (Haryana), Uttar Pradesh, Bundi and Kota (Rajasthan). The firm has a diversified customer base which comprises of companies such as KRBL Limited (India Gate) (CARE A1+; vide PR dated September 18, 2023), Supple Tek Industries Private Limited, GRM overseas, Shiv Shakti Inter-Globe Exports Limited, D.D. International Private Limited etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (Prov)*
Total operating income	152.98	199.97	182.25
PBILDT	3.83	3.83	NA
PAT	0.31	0.40	1.25
Overall gearing (times)	12.98	1.47	3.48
Interest coverage (times)	1.59	1.41	NA

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

*Refers to the period from April 01, 2023, to December 31, 2023.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June 2030	9.89	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	25.11	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (22-Jan-24)	-	-
2	Fund-based - LT-Term Loan	LT	9.89	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (22-Jan-24)	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	25.11	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (22-Jan-24)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long 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	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	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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About us:

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