

Sri Vinay Agro Food Industries

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.98	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	4.02	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Sri Vinay Agro Food Industries (SVAFI) is tempered by nascent stage of operations, leveraged capital structure, weak debt coverage indicators with low net worth base, constitution of the entity as a partnership firm, presence of the entity in highly competitive and fragmented rice milling industry. The ratings, however, derive strength from its experienced and resourceful promoters with over 1.5 decade in the rice milling business, close proximity to raw material (paddy) sources with favourable location of its processing unit (Raichur district of Karnataka) and stable demand outlook of rice

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the capital structure marked by overall gearing improving to 2.25x going forward.
- Successful ramp up of operations and achieving its envisaged revenue and profitability while managing the working capital cycle efficiently.

Negative factors

- Deterioration in capital structure marked by gearing increasing to 4.5x going forward.
- Widening of its working capital cycle to above 150 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believed that SVAFI will continue to benefit from promoter's experience, and its locational advantage.

Detailed description of key rating drivers:

Key weaknesses

Nascent stage of operations

The operations of entity are at a nascent stage as it has commenced operations from August 2024. However, during FY24 SVAFI has done trading of rice where it has reported a TOI of Rs 13.56 crore with moderate PBILDT (profitability marked by profit before interest, lease rentals, depreciation and tax) margin of 5.74% and a profit after tax (PAT) margin of 0.70% in FY24. The firm has achieved TOI of Rs ~20 crore during August to November 30, 2024, from its core operations (processing of rice). Being in the initial year of operations, the entity is exposed to stabilisation risk associated with recently completed project. Achieving envisaged revenue and profitability remains key monitorable.

Leveraged capital structure with limited net worth base

The entity's capital structure stood leveraged, as marked by an overall gearing of 3.80x as on March 31, 2024, with high reliance on external debt to meet its capex and working capital requirements. The total outside liabilities to net worth (TOL/TNW) stood high at 4.03x as on March 31, 2024. Further, debt coverage indicators in FY24 stands weak due to debt funded capex. Nevertheless, the firm has started full-fledged operations from August 2024, and the coverage ratios are expected to improve in future. The net worth base of the firm stood low at Rs. 7.90 Crore as on March 31, 2024, which includes subordinated USL of Rs. 2.99 Crore from promoter and related parties that has been considered as quasi equity.

High working capital intensity and exposure to vagaries of nature

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

Rice milling is a working capital-intensive business as the rice millers have to stock rice by the end of each season till the next season as the price and quality of paddy is better during the harvesting season. Further, the millers are required to extend a credit period to its customers. Also, paddy cultivation is highly dependent on monsoons, thus exposing the fate of the entities' operation to vagaries of nature. Accordingly, the working capital intensity remains high leading to higher stress on the financial risk profile of the rice milling units.

Presence in highly competitive and fragmented rice milling industry

SVAFI operates in the rice milling and processing industry, which is inherently exposed to risks from agro-climatic conditions and the seasonality of agricultural products. The rice milling industry is highly fragmented and competitive due to low entry barriers and the presence of many players in both the organized and unorganized sectors. This fragmentation, along with the regulation of rice prices by the Government of India (GOI) through the fixation of Minimum Support Price (MSP) to protect farmers' interests, limits the purchasing power of industry players. Additionally, the sale of rice in the open market is regulated by quotas, based on targets set by the GOI for the central pool.

Constitution of entity as a partnership firm

SVAFI, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Key strengths**Experienced promoters**

SVAFI is promoted by Mr. U. Veeresh, Mr. Janardhan Reddy (Managing Partner), Mr. U. Thimma Reddy, Mr. U. Ravi and Mr. U. Nagaraj, having more than 1.5 decade of experience in rice milling and trading of food grains. They have established healthy relationship with key suppliers, customers, local farmers, dealers and with various brokers within the state and other neighbouring areas.

Location advantage with presence in paddy growing belt of Raichur

SVAFI's manufacturing facility is located in Raichur district of Karnataka which is one of the major paddy cultivation area in the state. It procures paddy from the local famers which results in low transportation cost. The paddy is also procured from the local agents. Considering the above, the raw material availability stands adequate for the firm.

Liquidity: Stretched

The firm has recently started its commercial production w.e.f. August- 2024 resulting in small scale of operations with low cash accruals at the back of nascent stage of operations which keeps the liquidity position stretched, however promoters are resourceful and expected to support in the form of unsecured loans on need basis. The repayment for term loan has commenced from September 2024. The firm has been sanctioned Rs. 18.00 crore working capital limits, and the average utilisation remained high at ~90% since COD with minimal cash & bank balance of ~ Rs. 1.75 crore as on March 31, 2024. Firm's ability to stabilise and scale up its operations & resultant improvement in liquidity position would remain a key monitorable.

Assumptions/Covenants: Not Applicable**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](#)**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

Sri Vinay Agro Food Industries (SVAFI) is a partnership incorporated on September 30, 2022, and has recently commenced its operations for rice processing with a capacity of 12 MT/hour from August 2024. It's a family business, with having five partners namely Sri Janardhan Reddy, Uppal Ravi, Uppal Thimmareddy, Uppal Veeresh & Uppal Nagaraj. The partners are having 1.5 decade of experience in the Rice Mill Industry. The firm has setup a Rice Mill unit in SSI sector at Sy No 190/4, 5,6 Manchalapur Road Raichur-584102, Karnataka. The product includes polished Rice and non-polished. Apart from rice processing, the firm is also engaged in selling by-products such as broken rice, husk and bran. The main input, paddy, is directly procured from local farmers and agents located in and around Raichur District and the firm sells rice and other by-products majorly in the states of Karnataka and are also supplied to other adjoining states. The firm is also eligible for subsidy for newly setting up the rice mill in state of Karnataka.

Brief Financials (₹ crore)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	13.56	20.13
PBILDT	0.78	NA
PAT	0.09	NA
Overall gearing (times)	3.80	NA
Interest coverage (times)	1.04	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

Status of non-cooperation with previous CRA: NA

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		-	-	-	18.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	Aug-2030	15.98	CARE BB-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	4.02	CARE BB-; Stable / 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	18.00	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT-Term Loan	LT	15.98	CARE BB-; Stable	-	-	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	4.02	CARE BB-; Stable / CARE A4	-	-	-	-

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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	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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