

Sri Venkata Srinivasa Oils Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	50.50 (Reduced from 54.43)	CARE BB; Negative	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in rating assigned to bank facilities of Sri Venkata Srinivasa Oils Private Limited (SVSO) is tempered by decline in scale of operations, delay in the commencement of the commercial production at refinery project, profitability margins susceptible to fluctuating raw material prices and moderate capital structure. The ratings however derive comfort from experienced promoters and management team, favourable plant location in the vicinity of raw materials, stable demand outlook for edible oils industry in India, long standing client relationships and satisfactory debt coverage indicators.

CARE Ratings Ltd. has revised the ratings of Sri Venkata Srinivasa Oils Private Limited and assigned a Negative Outlook, citing a decline in operational scale and losses reported in FY24. The company's performance will continue to be monitored going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations to above 200 crores while maintaining a PBILDT margin of 6% or above on sustained basis.
- Improvement in gearing to below 1x

Negative factors

- Any significant decline in TOI or PBILDT level of the company by more than 20% y-o-y.
- Operating cycle sustaining beyond 300 days
- Reduction in unsecured loan during the tenure of the existing term loan.

Analytical approach: Standalone

Outlook: Negative

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Detailed description of key rating drivers:

Key weaknesses

Decline in scale of operations coupled with a loss in FY24

SVSO's scale of operations declined to Rs. 66.94 crore in FY24 (A) from Rs. 87.63 crore in FY23 (A). This decline was attributed to the unavailability of required working capital during the peak season (January to June), which impacted the procurement of raw materials. Additional factors included a cost overrun associated with the forward integration of the company's vegetable oil refinery for processing rice bran oil and the commencement of term loan repayments prior to the stabilization of the industrial asset. These factors resulted in the company reporting a net loss of Rs. 0.09 crore for FY24, despite the PBILDT remaining stable and increasing to Rs. 11.57 crores in FY24 compared to Rs. 8.67 crores in FY23.

Volatility in raw material costs

SVSOPL's key raw material is rice bran, which accounts for around 80-90% of the total raw material cost and approximately 91% of the cost of sales in FY24. As an agro-commodity, rice bran is exposed to price volatility influenced by factors such as demand-supply dynamics, seasonal availability, and prices of substitute crops. Consequently, the company's profitability margins are affected by fluctuations in raw material costs. The cost per metric tonne of raw material decreased in FY24 to Rs. 20,564/MT from Rs. 26,454/MT in FY23, leading to an increase in the PBILDT margin from 9.89% in FY23 to 17.20% in FY24. However, despite improved operating margins, the company reported a net loss of Rs. 0.09 crore in FY24, resulting in a negative PAT margin of -0.13% due to higher interest and finance costs. For 9MFY25, the cost per metric tonne of raw material increased to Rs. 23,537/MT, compared to Rs. 20,564/MT in FY24, indicating continued price fluctuations that may impact future profitability.

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

Moderate capital structure and debt coverage metrics

The debt profile of SVSO comprises of term and working capital loan. Capital structure of SVSO remained moderated with overall gearing of 2.43x as on March 31, 2024, as against 2.37x as on March 31, 2023. There is deterioration in the overall gearing of the company during FY22-FY24 on account of increase in unsecured loan and working capital limits which was availed for the forward expansion of the existing business. However, due to delay in commencement of the planned capex the fruits of the same is yet to be reaped.

The debt coverage indicators remained moderate with total debt to gross cash accruals (GCA) at 10.92x as on March 31, 2024 (PYE: 15.32x as on March 31, 2023), TOL/TNW stands at 2.99x as on March 31, 2024 (PYE: 2.90x as on March 31, 2023) and PBILDT interest coverage ratio remained comfortable and stands at 2.01x in FY24 (FY23: 1.97x).

Working capital intensive nature of operations

The company operates in an industry which is working capital intensive. The operating cycle of the company remained elongated at 309 days in FY24 (189 days in FY23) continues to remain high due to high inventory holdings. Due to the Russia-Ukraine war, the cost of the crude oil was extremely high and company was unable to offload the stock at such prices hence the inventory level remained high at 305 days in FY24 (202 days in FY23). Further the company also maintains high levels of inventory because of the seasonal nature of the industry it operates in. The collection period stood at 87 days in FY24 while the credit period extended to the farmers is generally 80-85 days. Nevertheless, the working capital utilization of the company remained high at 99% for the 12 months ended on Feb 28, 2025.

Key strengths**Experienced Promoters**

SVSO was established in the year 2009, promoted by Mr. Inuganti Janardhana Rao (Managing Director) who has more than five decades of experience in rice milling, oils, pulses and jute. The day-to-day operations of the company are mainly looked after by Mr. Inuganti Ramakrishna (Executive Director) who has more than two decade of industry experience and Mr. Ch. Rajagopal (Whole-time Director) with good experience in plant operations and logistics. By virtue of the long-standing experience of the promoters, the company benefits in terms of efficient procurement of Rice Bran from the nearby Rice mills

Favourable location of the plant in the vicinity of raw material

SVSO's plant is located in Gullapadu Village, Srikakulam District which is surrounded by numerous rice mills operating in the region. The main raw material for the plant is Rice Bran which is purchased mainly from the neighbouring rice mills located in Srikakulam and Vizianagaram districts and adjoining state of Orissa. This helps SVSO to procure and transfer raw materials to the plant efficiently in shorter time interval and at lower transportation cost.

Long standing client relationship with moderate concentration risk

Mr. Inuganti Janardhana Rao has been engaged in the oil mill industry for close to five decades. Over the years, he has been able to establish good relationship with the local rice millers from whom majority of the raw material is procured and also with the oil refineries and aqua/poultry feed companies who are its major customers. The top 5 clients of the company have contributed about 90% of total revenue in FY24 (as against 67% in FY23) indicating increase in client concentration risk y-o-y. However, this risk is mitigated as the company has long and an established relationship of more than 5 years who provide repeat orders to the company.

Stable demand outlook albeit intense competition in the industry:

Edible oil industry is expected to grow annually by 7- 8%, with rising demand owing to increase in population, disposable incomes and growth of food processing sector. The consumption of edible oil in India has been rising steadily which can be attributed to factors such as better standard of living growth in demand for fried processed food products and branded packaged edible oil. India's annual per capita consumption is well below the world average; thus, signifying substantial growth potential for the edible oil industry. Furthermore, India is a major participant in the export market for DOC and is one of the largest exporters of DOC from Asia. Moreover, there is a rising demand for DOC from the domestic poultry and cattle feed industry to meet the requirement for animal protein products. However, the industry is highly fragmented and competitive with presence of many unorganised players apart from few large, organised players, which limits the pricing power and profitability of the players.

Liquidity: Adequate

SVSO's liquidity position remained adequate though tightly matched marked by gross cash accruals of Rs. 5.67 crore as against the debt repayment obligations of Rs. 4.36 crore in FY25. The entity's fund-based working capital limit utilisation is high at 99% for the last twelve months ending January 2025.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Nonfinancial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer	Fast Moving Consumer	Agricultural Food & other	Edible Oil

Sri Venkata Srinivasa Oils Private Limited (SVSO) was incorporated on March 13, 2009. The company belongs to the Sri Venkata Srinivasa (SVS) group and is promoted by Mr. Inuganti Janardhana Rao, the Managing Director, his son- Mr. Inuganti Rama Krishna (Executive Director) and his son in law- Mr. Chelikani Rajagopal (Director). SVSO was incorporated as a unit in the line of Solvent extraction of oil from rice bran and oil-bearing cakes. The company's manufacturing facilities are located in Srikakulam District, Andhra Pradesh with an effective installed capacity for RB oil of 13500 metric tonnes (MT) and for DORB and De-Oiled Cake (DOC) of 61500 MT. The company expanded the operations by establishing forward integration by entering physical refinery of vegetable oil by setting up a refinery unit to process 120 Mts of RB Oil per day (operating for 240 days in a year) and alternative process 200 Mts of Crude Palm Oil per day (operating for the remaining 120 days in a year). The commercial production started from January 2023

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	87.63	66.94	~53.24
PBILDT	8.67	11.57	NA
PAT	0.90	-0.09	NA
Overall gearing (times)	2.37	2.43	NA
Interest coverage (times)	1.97	2.01	NA

A: Audited UA: Unaudited; NA Not Available 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 (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		-	-	-	38.30	CARE BB; Negative
Fund-based - LT-Cash Credit		-	-	-	2.70	CARE BB; Negative
Fund-based - LT-Term Loan		-	-	01.06.2028	9.50	CARE BB; Negative

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	38.30	CARE BB; Negative	-	1)CARE BB; Stable (06-Aug-24) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (02-Apr-24)	-	1)CARE BB+; Stable (30-Mar-23)
2	Fund-based - LT-Term Loan	LT	9.50	CARE BB; Negative	-	1)CARE BB; Stable (06-Aug-24) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (02-Apr-24)	-	1)CARE BB+; Stable (30-Mar-23)
3	Fund-based - LT-Cash Credit	LT	2.70	CARE BB; Negative	-	1)CARE BB; Stable (06-Aug-24) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (02-Apr-24)	-	1)CARE BB+; Stable (30-Mar-23)

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

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

Annexure-5: Lender details

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

Contact us

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About us:

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