

Shri Varalakshmi Sago Foods Private Limited

April 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	52.58 (Reduced from 55.65)	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	5.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to Shri Varalakshmi Sago Foods Private Limited (SVSFPL) derive strength from promoters' vast experience and the company's long track record in the sago industry, established brand presence and long-standing relationship with suppliers and dealers, and healthy profitability margins. Ratings also notes the improved capital structure over the years with the repayment of unsecured loans from promoters. Ratings further factor in the locational advantage for easy availability of tapioca root, and adequate liquidity position.

Ratings are constrained by exposure to volatility in tapioca prices, an agro-based raw material, which leads to fluctuations in operating margins. Despite gradual diversification, revenues largely depend on sago-based products, resulting in product concentration risk. The business also operates in a fragmented and competitive industry, limiting pricing flexibility, while relatively high inventory holding requirements contribute to moderate working capital intensity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving capital structure with overall gearing below 0.5x.
- Increasing scale of operations above ₹600 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILD) margins above 12%.

Negative factors

- Large repayment of promoter unsecured loans, leading to deteriorating liquidity profile.
- Stretching collection period, leading to elongating working capital cycle.
- Large debt-funded capex, resulting in deteriorating overall gearing beyond 2.5x.

Analytical approach: Standalone

Outlook: Positive

The 'Positive' outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation of an improvement in the company's capital structure and liquidity profile, supported by the ongoing repayment of unsecured promoter loans and the absence of major debt-funded capex, while sustaining healthy profitability aided by its strong brand association and established dealer relationships. The outlook may be revised to 'Stable' in the event of any large debt-funded expansion or a moderation in profitability leading to pressure on liquidity.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters and long track record of operations in sago industry

The entity was established by Varadaraja Gounder in 1974 as a partnership firm under the name Shri Varalakshmi Company (SVC), engaged in sago manufacturing. In 1984, the firm was taken over by his son, Sundaresan, who currently serves as the Managing Director. Subsequently, in FY23 (FY refers to April 1 to March 31), the firm was converted into a private limited company and renamed Shri Varalakshmi Sago Foods Private Limited (SVSFPL). Sundaresan brings over three decades of experience in the sago industry and is supported by his son, S. Vimalkumar, Joint Managing Director, and experienced functional heads across

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

departments. The promoters' extensive industry experience is expected to help the company maintain its business risk profile over the medium term.

Established brand presence

SVSFPL produces sago sold under its brand 'Varalakshmi', while also producing value-added products such as pappad and fryums under the brand 'Try Mi'. These brands are well established in the company's key markets, particularly across the western and central regions of India, and the company also enjoys a strong market presence across other parts of the country. The company has ~45-50 variants across different product categories. The company has over 500 dealers to support its distribution network. It also has direct sales to reputed retailers, including Reliance and Walmart among others; however, sales contribution from these channels is minor.

Locational advantage for easy availability of tapioca root

The company is one of the major organised players in the sago industry and operates in Salem, Tamil Nadu, which is the top district for sago production. As it is near tapioca cultivation areas, SVSFPL has easy access to raw material at competitive prices and lower logistical cost. The firm has collection centres for raw materials across south India.

Growth in scale of operations, however, relatively concentrated product profile

The company's total operating income (TOI) increased from ₹459.64 crore in FY24 to ₹485.98 crore in FY25, driven by volume growth and wider geographic penetration. However, revenue remains highly concentrated, with sago contributing ~72%-75% of sales in the last three years, despite pappad's share rising to ~28% in FY25 (FY23: ~24%). In 10mFY26 (FY refers to April 1 to January 31), the company reported operating income of ₹361.77 crore, which moderated primarily due to a decline in sales realisations, notwithstanding an increase in sales volumes during the period.

Improved capital structure over the years

The entity was converted from a partnership firm to a private limited company in FY23, following which a significant portion of partners' current account balances was reclassified as unsecured debt, resulting in higher overall gearing. Consequently, overall gearing increased from 0.98x as on March 31, 2022 to 3.42x as on March 31, 2023. Subsequently, supported by healthy cash accruals and absence of debt-funded capex, the company repaid promoter loans, improving gearing to 0.70x as on March 31, 2025. As on March 31, 2025, promoter unsecured loans constituted ~58% of total debt (PY: 72%) and are expected to reduce gradually. With no large debt-funded capex planned, the capital structure is expected to strengthen further. Debt coverage remained comfortable, with total debt/PBILDT of 1.07x and interest coverage of 11.39x in FY25.

Key weakness

Exposure to raw material price volatility and competitive industry dynamics

The primary raw material for sago manufacturing is tapioca root, an agricultural commodity procured from local suppliers, whose prices are inherently volatile and depend on harvest conditions. This has led to volatility in operating profitability, with PBILDT margins ranging between 12% and 15% in the last few years; although margins improved from 12.35% in FY24 to 15.08% in FY25, they remain below the 17-18% levels witnessed around three years ago. Despite partial mitigation through seasonal procurement and storage, the company's moderate scale relative to larger fast moving consumer goods (FMCG) peers and presence in a fragmented and competitive sago segment continue to constrain pricing flexibility and bargaining power, particularly in non-branded segments.

Liquidity: Adequate

The company has an adequate liquidity profile marked by cash accruals of ₹52.93 crore in FY25 against low repayment obligations of ₹3.42 crore in FY26. Its unutilised bank lines are adequate to meet its working capital needs over the medium term as there is no major capex planned. It procures raw material, tapioca, from local suppliers in and around Salem, Tamil Nadu, on a cash-and-carry basis. Tapioca is harvested from November to March and is crushed within 24 hours of harvesting and stored in wet form, resulting in a higher inventory period. Collection from dealers and distributors is done within 20-30 days. The company has a cash balance of ₹2.55 crore March 31, 2025 (PY: ₹0.76 crore). The average utilisation of working capital limits stood at 41.43% for the last 12 months ended January 2026.

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 – 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	Food products	Other food products

SVSFPL (erstwhile Shri Varalakshmi Company) was founded in 1974 by R Varadharaja Gounder and R Lakshmi Ammal and is engaged in manufacturing and selling sago and related products. SVSFPL has its manufacturing facility at Salem and has a tapioca tube crushing capacity of 550 metric tonnes per day and production capacity of 130 metric tonnes per day with fried items capacity of 30 tonnes per day. SVSFPL has wide distribution network of over 400 dealers and most sales are made to central and western India. Currently, V Sunderesan and his son, S Vimalkumar (joint managing director) manage the company's operations. The company sells its products under the main brand "Varalakshmi" and "Try Mi" with sub-brands depending on the quality and price range of products. The entity's constitution was converted to private limited in FY23 under its present name.

Brief financials (₹ crore)	FY24 (A)	FY25 (A)	10MFY26 (UA)
Total operating income	459.63	485.98	361.77
PBILDT*	56.77	73.29	55.68
PAT	26.52	36.59	NA
Overall gearing (x)	1.95	0.70	NA
Interest coverage (x)	11.33	11.39	NA

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

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA: CRISIL continues to categorise rating assigned to bank facilities of SVSFPL under non-cooperation category vide PR dated August 28, 2025 considering its inability to carry out a rating surveillance in the absence of the requisite information from the company.

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		-	-	-	45.00	CARE BBB+; Positive
Fund-based - LT-Term Loan		-	-	June 2029	6.83	CARE BBB+; Positive
Fund-based - LT-Term Loan		-	-	March 2027	0.75	CARE BBB+; Positive
Fund-based - ST-Standby Line of Credit		-	-	-	5.00	CARE A2

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-Term Loan	LT	0.75	CARE BBB+; Positive	1)CARE BBB+; Stable (07-Apr-25)	1)CARE BBB+; Stable (21-Jun-24)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (15-Mar-23)
2	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB+; Positive	1)CARE BBB+; Stable (07-Apr-25)	1)CARE BBB+; Stable (21-Jun-24)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (15-Mar-23)
3	Fund-based - LT-Term Loan	LT	6.83	CARE BBB+; Positive	1)CARE BBB+; Stable (07-Apr-25)	1)CARE BBB+; Stable (21-Jun-24)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (15-Mar-23)
4	Fund-based - ST-Standby Line of Credit	ST	5.00	CARE A2	1)CARE A2 (07-Apr-25)	1)CARE A2 (21-Jun-24)	1)CARE A4+; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE A3+; ISSUER NOT COOPERATING* (15-Mar-23)

*Issuer did not cooperate; based on best available information

LT: Long term; ST: 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 - ST-Standby Line of Credit	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

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