



## Press Release

**Siva Sai Exports (SSE)**

**October 03, 2023**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loan	17.91	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities – Packing Credit	95.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Letter of Credit	7.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	1.30	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Pre- Settlement Risk (PSR)	10.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Proposed Loan	58.79	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>190.00 (Rupees One Hundred Ninety Crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Siva Sai Exports (SSE) derive strength from the extensive experience of the partners and established market position, substantial improvement in operating income in FY22 over FY21 and moderate improvement in FY23 over FY22 and moderate financial risk profile. The ratings however are constrained by working capital intensive nature of operations, susceptibility to fluctuations in raw fruits and vegetables prices, dependency on export policies and exposure to foreign currency exchange fluctuation risk and inherent risk of being a partnership firm.

### Key Rating Sensitivities:

#### Upward Factors



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- Substantial & sustained improvement in the firm's revenue and/or profitability while maintaining the debt protection parameters.

### Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of the partners and established market position**

The partners Mr. Sambasiva Rao Cherukuri and Mrs. Siva Kumari Cherukuri have been engaged in fruits and vegetables processing and exporting business for more than two decades and have built healthy relationships with customers and suppliers, and expanded their reach to Russia and other European countries.

- **Sustained improvement in revenue and moderate profitability**

SSE's revenue grew at CAGR of 25% through FY20-FY23 to Rs.271.77crs due to increase in volumes, capacity utilizations and increase in realizations. IVR expects SSE to achieve revenue of Rs.305.00 crs during FY24 on the back of stable demand from export market along with increased volumes and stable realizations.

EBITDA margins were volatile and in the range of 7%-11% through FY21-FY23. EBITDA margins were impacted and declined to 7.63% in FY22 (FY21: 10.51%) due to an increase in shipping charges. Shipping charges has increased owing to COVID-19 pandemic. Though, EBITDA margins have improved to 10.17% with stable shipping charges along with stable realizations. PAT margin has remained stable in the range between 1.80% to 1.89% for the period FY21 to FY23.

- **Moderate financial risk profile**

The overall gearing ratio including Quasi Equity and TOL/TNW including Quasi Equity remained moderate and stood at 0.93x and 2.13x respectively in FY23 (FY22: 1.04x and 2.14x), mainly on account of lower utilization of working capital and improvement in tangible net worth. The interest coverage ratio improved to 3.27x in FY23 from 2.40x in FY22, due to improvement in profitability.

#### Key Rating Weaknesses



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- **Working capital intensive nature of operations**

The firm's operations are working capital intensive marked by its operating cycle of around 113 days in FY23 as against 101 days in FY22. Average inventory period improved to 68 days in FY23 from 63 days in FY21. However, average creditor period increased to 118 days in FY23 from 77 days in FY22, due to the nature of business and orders received from customers, the major sales of the firm are during February and March month proportionate to which the purchases also mark a substantial increase. The purchases for February and March amounted to 43% of the total purchases made during FY23 and hence, the creditor days increased.

- **Susceptibility to fluctuations in raw fruits and vegetables prices**

The major raw fruits and vegetables for SSE consist of grapes and sweetcorn which constitutes around 79% of its total raw fruits and vegetables requirement in FY23. The prices of such materials are fluctuating because of the seasonal availability coupled with other factors like irregularity of climatic condition to unpredictable yields, etc. Although, the firm have effective sourcing strategy through tie up with Farmer Producer Organization (FPO). The firm has tie up with more than 10,000 farmers through such FPO's, which mitigates such risk to some extent.

- **Dependency on export policies and exposure to foreign currency exchange fluctuation risk**

The operation of SSE is sensitive to the export incentives policies of the Government of India as the entire revenue of the firm is dependent on the export. This, in turn, makes the revenue susceptible to fluctuations in foreign currency exchange rates. However, the firm uses forward contract for hedging purpose as entire exports sales are hedged.

- **Inherent risk of being a partnership firm**

SSE, being a partnership firm, is exposed to inherent risk of partners' capital being withdrawn at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partner. Furthermore, partnership entities have restricted access to external borrowing, as credit worthiness of partner would be the key factors affecting credit decision for the lenders.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Rating Methodology for Real Estate Entities](#)

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### Liquidity: Adequate

The firm's liquidity is expected to remain adequate given the expected cash accruals in the range of Rs. 13.18 crore to Rs. 16.56 crore in the period of FY24 to FY26 as against the repayments of Rs.4.47 crore to Rs.5.24 crore. The free cash and cash equivalents balance stood at Rs.2.76 crore as on August 31, 2023, while average working capital utilisation for the 12 months ended August 2023 remained moderate at ~80%. Current ratio stood at 1.36x as on March 31, 2023.

### About the Company

SSE is a Nasik based partnership firm established in 2007 by Mr. Sambasiva Rao Cherukuri and Mrs. Siva Kumari Cherukuri. SSE is engaged in processing, frozen storage, packaging, and B2B sale of fruits and vegetables. The firm is operating two units one each at Khedgaon and Vinchur in Maharashtra. It exports agri products by processing them through IQF technology so that perishability of the products gets improved. Exports constitute to nearly 80% of SSE's revenue, which is made to Russia and European Countries and the domestic sales of the firm are made to PAN India customers. SSE procures fruits and vegetables mainly from farmers in Nasik (70%) and as per seasonal requirements procurement is done from the Rest of India. SSE is currently managed by Mr. Sambasiva Rao Cherukuri and Mrs. Siva Kumari Cherukuri. The partners are actively involved in the day-to-day affairs of the firm, ably supported by a well experienced second line of executives.

### Financials (Standalone)

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	250.68	271.77
EBITDA	19.12	27.63
PAT	4.69	5.16
Total Debt	75.64	73.75



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For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Tangible Network	72.77	79.60
<b>Ratios</b>		
EBITDA Margin (%)	7.63	10.17
PAT Margin (%)	1.87	1.89
Overall Gearing Ratio (x)	1.04	0.93

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities – Term Loan	Long Term	17.91	IVR BBB-/ Stable	-	-	-
2.	Short Term Bank Facilities – Packing Credit	Short Term	95.00	IVR A3	-	-	-
3.	Short Term Bank Facilities – Letter of Credit	Short Term	7.00	IVR A3	-	-	-
4.	Short Term Bank Facilities – Bank Guarantee	Short Term	1.30	IVR A3	-	-	-
5.	Short Term Bank Facilities –	Short Term	10.00	IVR A3	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
	Pre-Settlement Risk (PSR)						
6.	Short Term Bank Facilities – Proposed Loan	Short Term	58.79	IVR A3	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	Upto January 2027	17.91	IVR BBB-/ Stable
Short Term Bank Facilities – Packing Credit	-	-	-	95.00	IVR A3
Short Term Bank Facilities – Letter of Credit	-	-	-	7.00	IVR A3
Short Term Bank Facilities – Bank Guarantee	-	-	-	1.30	IVR A3
Short Term Bank Facilities – Pre-Settlement Risk (PSR)	-	-	-	10.00	IVR A3
Short Term Bank Facilities – Proposed Loan	-	-	-	58.79	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Siva-oct23.pdf>



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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).