



Press Release

Sarveshwar Foods Limited

February 06, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	100.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term bank Facility	23.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	123.00	Rupees One Hundred & Twenty Three crores Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has re-affirmed long-term rating to IVR BBB with a Stable Outlook and short term rating to IVR A3+ for the bank loan facilities of Sarveshwar Foods Limited.

The rating re-affirmed to the above-mentioned bank facilities of Sarveshwar Foods Limited continues to draw comfort from extensive experience of promoters and established track record of the group. The rating also factors in locational advantage, healthy scale of operations, well defined procurement policy, diversified product profile, comfortable capital structure and satisfactory debt protection metrics. However, these strengths are, partially offset by elongated operating cycle, exposure to agro-climatic risk, fragmented nature of industry leading to thin profit margins and susceptibility to changes in government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SFL business risk profile will be maintained over the medium term



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IVR has principally relied on the standalone audited financial results of SFL upto 31 March 2023 projected financials for FY24, FY25 and FY26, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with sustenance of profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters and established track record of the group

Sarveshwar Group was established by Late Sh. Isher Dass Gupta in the year 1890. Sarveshwar Group is a family owned business which is engaged mainly in processing of basmati and non-basmati rice. Today, the fourth generation carries on the family heritage. The group has over 100 years of experience in sourcing and processing of rice. Mr. Rohit Gupta and Mr. Anil Sharma are the promoters who have extensive experience into the industry. The group benefits from the extensive experience of promoters, their strong understanding of local market dynamics, healthy relations with customers and suppliers and the group's diversified product mix into the food processing industry.



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Locational Advantage

The group's operations are mainly based in Jammu and Kashmir, which has diverse physiographic features, agro-climatic variations and cold arid temperature, and inter-mediate and sub-tropical zones that are naturally conducive for cultivating basmati and non-basmati rice. Focusing the company's philosophy to the Himalayas, the products are cultivated using the fertile and mineral-rich soil, organic manure. Furthermore, the group has entered into arrangements with farmers for contract farming for basmati paddy which enables the company to closely monitor the quality of inputs and further optimizing procurement process.

Healthy scale of operations and procurement policy

The group has healthy scale of operations with revenue of Rs.692.68 crore in FY23 as against Rs.605.44 crore in FY22. EBITDA and PAT reported is Rs.35.82 crore and Rs.7.80 crore in FY23 as against Rs.28.00 crore and Rs.3.40 crore in FY22. As of Mar 31, 2023; the group had relationships with approximately 132 procurement agents, or pucca arhatiyas. Through this extensive network of procurement from pucca arhatiyas, company is able to procure basmati paddy at lower prices from mandis in villages in which many of company's smaller competitors are not present.

Diversified Product Profile

The group's product portfolio comprises of basmati and non-basmati rice of various kinds including white raw rice, steam rice, broken rice, brown rice, and parboiled rice. Along with the varied variety of conventional basmati and non-basmati rice, the product portfolio also includes organic basmati and non-basmati rice including range of other organic products like cereals, pulses, spices, oil and ghee etc. The group markets its products under the brand name of 'Sarveshwar' such as Sarveshwar Unique Basmati Rice, Sarveshwar Select Basmati Rice,



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Sarveshwar Ultra XL Basmati Rice, Sarveshwar Atta and organic products are sold under the brand name of 'Nimbark'

Comfortable capital structure and satisfactory debt protection metrics

The group has a comfortable capital structure on the back of its strong tangible net worth base of Rs.212.80 crore. The overall gearing ratio of the group remains comfortable and stood at 1.35x on March 31, 2023, vis-a-vis 1.64x on March 31, 2022. Total indebtedness of the group as reflected by the TOL/TNW stood at 1.63x as on March 31, 2023, as against 2.16x as on March 31, 2022. Further, the debt protection metrics of the group stood satisfactory marked by interest coverage ratio at 1.55x as on March 31, 2023 (1.52x as on March 31, 2022).

Key Rating Weaknesses

Elongated Operating Cycle

The group operating cycle remains elongated at 219 days in FY23 (PY:242 days) due to higher inventory days of 141 days (PY:152 days), collection period of 104 days (PY:127 days) in FY23. The average creditors period stood at 27 days in FY23 as against 37 days in FY22. Going forward, any further deterioration in operating cycle and resultant adverse impact on the liquidity position shall remain key monitorable.

Exposure to agro-climatic risk

Cultivation of paddy, the primary raw material, depends on monsoon and availability of irrigation. Hence, the group is susceptible to any shortage or price fluctuation during unfavourable climatic conditions.

Fragmented nature of the industry leading to thin profit margins



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The rice-milling industry is characterised by intense competition due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players like Sarveshwar Group.

Susceptibility to changes in government regulations

Minimum support price of paddy and prevailing rice price are key determinants of a rice mill's profitability. Being an agricultural product, availability of paddy is seasonal and dependent on monsoon/irrigation. This exposes the company to risk of limited availability of raw material in case of unfavourable climatic conditions, leading to fluctuations in paddy and rice prices. This is compounded by limited ability to completely pass on any price hike to customers. Also, the rice industry is regulated in terms of paddy price, export/import of rice, and rice release mechanism.

Analytical Approach: Consolidated Approach

For arriving at the ratings, Infomerics has consolidated the business and financial risk profiles of Sarveshwar Foods Limited, Himalayan Bio Organic Foods Private Limited and Sarveshwar Overseas Limited, herein after referred to as Sarveshwar Group. Sarveshwar Foods Limited is the parent company and holds 99.00% stake in Sarveshwar Overseas Limited. Himalayan Bio Organic Foods Private Limited is the wholly owned subsidiary of Sarveshwar Foods Limited.

Earlier Natural Global Foods DMCC was taken for consolidation purpose. Since there is no operation in this company and is presently an associate company, we have not considered this company for consolidation. The consolidation is in the view of similar line of business, holding- subsidiary common management and in between strong operational and financial linkages and cash flow fungibility.

List of the entities considered for consolidation is furnished in Annexure II.

Extent of consolidation: Full



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

The group has adequate liquidity as seen by gross cash accruals of Rs.19.83 crore in FY24 as against repayment of long-term borrowings amounting to Rs.9.22 crore. Further, the company is expected to generate cash accruals in the range of Rs.27.76- 38.16 crore as against its debt servicing obligation of ~Rs. 14.39- 15.27 crore FY24-26. The overall working capital limits of the group are utilized to the extent of ~63.71% during the past 12 months ended Sep 2023 indicating moderate liquidity buffer. The current ratio reported by the group is 1.79x in FY23. Moreover, the group has adequate gearing headroom on the back of its strong capital structure. All these factors reflect adequate liquidity position of the group.

About the Company and Group

Sarveshwar Foods Limited, incorporated in the year 2004 is a part of the Sarveshwar group. Sarveshwar Foods Limited is primarily engaged in the business of processing and marketing of branded and un-branded basmati and non-basmati rice in the domestic and exports region in the State of Jammu and Kashmir. Company's product portfolio comprises of basmati and non-basmati rice of various kinds including white raw rice, steam rice, brown rice and parboiled rice.

Sarveshwar Group was established by Late Sh. Isher Dass Gupta in the year 1890. Sarveshwar Group is a family owned and operated business that is involved mainly in the business of processing of basmati and non-basmati rice. Today, the fourth generation carries



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on the family heritage. The Group has over 100 years of experience in sourcing and processing of Rice. Sarveshwar Foods Limited (SFL), Sarveshwar Overseas Limited (SOL), Himalayan Bio Organic Foods Private Limited (HBOF), collectively referred to as the Sarveshwar Group.

Financials (Consolidated):

For the year ended*	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	605.44	692.68
EBITDA	28.00	35.82
PAT	3.40	7.80
Total Debt	266.07	287.06
Adjusted Tangible Net worth	164.24	217.06
EBITDA Margin (%)	4.63	5.17
PAT Margin (%)	0.56	1.12
Overall Gearing Ratio (x)	1.64x	1.35x

* Classification as per Infomerics' standard

Financials (Standalone):

For the year ended*	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	273.63	327.55
EBITDA	13.02	13.78
PAT	4.11	4.00
Total Debt	129.34	134.61
Adjusted Tangible Net worth	92.25	140.68
EBITDA Margin (%)	4.76	4.21
PAT Margin (%)	1.49	1.20
Overall Gearing Ratio (x)	1.06	0.80

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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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 (Nov 28, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Aug 31, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	100.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/CWDI	-
2	PSL/PSFC	Short Term	2.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	
3	LC/BG	Short Term	20.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit 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 Fund Based Facilities – Cash Credit	-	-	-	100.00	IVR BBB/ Stable
Long Term Fund Based Facilities – PSL/PSFC				2.50	IVR A3+ (IVR A Three Plus)
Long Term Non Fund Based Facilities – LC/BG				20.50	IVR A3+ (IVR A Three Plus)

Annexure 2: List of companies considered for consolidated analysis:

Group Companies	Extent of Consolidation (%)
Sarveshwar Foods Limited [SFL]	100.00%
Sarveshwar Overseas Limited [SOL]	100.00%
Himalayan Bio Organic Foods Private Limited [HBOFPL]	100.00%



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-sarveshwar-foods-feb24.pdf>

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 [Complexity Level of Rated Instruments/Facilities](#).