

Sayaji Industries Limited

July 05, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	72.80 (Enhanced from 58.68)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	90.00 (Enhanced from 83.00)	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	7.50 (Reduced from 15.00)	CARE A3+	Reaffirmed
Fixed Deposit	40.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities/instrument of Sayaji Industries Limited (SIL) continue to derive strength from its experienced promoters along with established track record of around eight decades in maize processing industry, strong product profile with presence in value-added starch derivatives and established sales network with reputed and diversified clientele. The ratings continue to factor its moderate albeit growing scale of operation, adequate liquidity and lean operating cycle.

The ratings, however, continue to remain constrained on account of low profitability which declined in FY23 (FY refers to the period from April 1 to March 31), moderately leveraged capital structure and susceptibility of its profitability to volatile raw material price and foreign exchange fluctuation risk. The ratings are further constrained due to its presence in the competitive agro processing industry. The ratings also takes into account decline in profitability and its negative sensitivity being triggered, however, CARE ratings Limited (CARE Ratings) take cognisance of decline in margin being attributed to sharp increase in raw material costs and power cost in FY23 whose prices are corrected to an extent during Q1FY24 and its monetisation of non core assets supporting cash flows.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale of operation with total operating income (TOI) of over ₹850 crore and improvement in profitability with profit before interest, lease, depreciation and tax (PBILDT) margin above 10% on sustained basis
- Improvement in its capital structure with overall gearing below 1.00x on sustained basis

Negative factors

- Decline in profitability with PBILDT margin below 4% on sustained basis
- Increase in total debt leading adj. overall gearing above 2x or total debt to PBILDT exceeding 5x on sustained basis

Analytical approach: Consolidated along with factoring corporate guarantee extended by SIL.

SIL has extended its unconditional and irrevocable corporate guarantee for the bank facilities of Sayaji Seeds LLP (SSL; a subsidiary), and Alland & Sayaji LLP (ASL; a 50:50 JV) as on March 31, 2023. Details of subsidiaries consolidated are shown in **Annexure-3**.

Outlook: Stable

CARE Ratings believes that SIL will continue to benefit from its experienced promoters and its established track record of over eight decades in the Maize processing industry and increased utilization of its enhanced capacity that would enable the company to sustain its moderate financial risk profile in near to medium term.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and established track record of eight decades in the manufacturing of starch and starch derivatives

Established in 1941, SIL is one of the oldest maize processing companies in the country with track record of over eight decades. SIL is promoted by Mehta family and is presently managed by Mr. Priyam Mehta along with his son Mr. Varun Mehta and Mr.

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

Vishal Mehta who have vast experience in the industry. Promoters are resourceful and historically supported the operation of the company through infusion of the funds by monetization of the non-core assets as well as loans and advances and inter-corporate deposit. Furthermore, the team is assisted by tier-II staff that has been associated with the company since long.

Promoters have also set-up other entities namely NB Commercial Enterprises Limited (NBC; CARE BBB-; Stable/CARE A3), Alland and Sayaji LLP (ASL; CARE BBB-; Stable/CARE A3) and Sayaji Seeds LLP (SSL; CARE BB; Stable/CARE A4). NBC is engaged in manufacturing of HDPE barrels catering to the demand of chemical, food, pharmaceutical and lube-oil industries among others mainly in Gujarat region. ASL is engaged in the manufacturing of spray dried food products viz. gum arabic powder. SSL is engaged in the production and marketing of various seeds such as maize, castor, paddy and Wheat among others.

Strong product profile and established sales network with diversified clientele

There are multiple players in the maize starch manufacturing industry, however; few players like SIL has presence in all major starch derivatives. Starch slurry (from maize grinding) is utilized for producing maize starch powder and various starch-based derivatives such as liquid glucose and other value-added products like dextrose monohydrate (DMH), anhydrous dextrose (ADH), sorbitol, etc. The process also yields the by-products such as Hydrol, Maize Gluten, Maize Oil, Oil Cake, Corn Steep Liquor, etc. SIL's product profile further diversified with commissioning of the spray dryer unit in the month of January 2022 where it manufactures dry food powder. Products manufactured by SIL find applications in the diverse industries viz. textile, paper, pharmaceutical, food and confectionery, cosmetic, paint as well as for poultry and animal feed.

Currently, SIL is undertaking de-bottlenecking capex which would increase its maize grinding capacity to 1000 TPD by end of Q3FY24. SIL has 4 MW of coal-based power plant and 1.5 MW of gas-based power plant which meets around 50-60% of its internal power requirement. During FY23, overall capacity utilization grew across entire product portfolio on the back of strong domestic as well as export demand. Proportion of value-added product remained at around 30% (in terms of sales value) during FY23 as compared with 32% during FY22. Over the years, SIL has established strong marketing and procurement network. SIL has reputed and diversified clientele with top-10 customers forms around 24% of its net sales during FY23 (FY22: 33%).

Moderate albeit growing scale of operation

Total maize grinding of SIL grew by around 14% during FY23 on a y-o-y with strong demand from the end user industries. On a consolidated level, TOI of SIL grew by around 31% to ₹1041.39 crore during FY23 on y-o-y basis on the back of around 20% growth in sales volume along with increase in the average sales realization with increase in raw material costs. SIL's standalone TOI (₹1007.01 crore in FY23) continued to be the major contributor to its consolidated TOI (₹1041.39 crore in FY23), with around 97% share in FY23 (FY22: 96% share).

SSL reported TOI of ₹34.43 crore during FY23 (FY22: ₹28.78 crore) with net loss of ₹0.79 crore (FY22: net loss of ₹0.66 crore). ASL reported TOI of ₹44.69 crore during FY23 (FY22: ₹29.31 crore) with PAT of ₹8.68 crore (FY22: ₹2.40 crore). CARE Ratings expects, scale of operation of SIL is expected to grow going forward with proposed enhancement in the maize grinding capacity along with steady operation of the subsidiary.

Lean operating cycle

SIL generally keeps maize inventory for 20-30 days and procures raw material from major maize producing states i.e. Maharashtra, Madhya Pradesh, Uttar Pradesh and Bihar. Average receivables days improved from 25 days during FY22 to 20 days during FY23. Its operating cycle remained lean and improved from 11 days in FY22 to 5 days in FY23.

Key weaknesses

Decline in the profitability and moderation in the debt coverage indicators albeit moderate capital structure

PBILDT margin of SIL moderated by 417 bps to 2.16% during FY23 due to significant increase in the raw material as well as power & fuel cost. Also, spray dryer, which has started operation during Q4FY22, reported losses during FY23. During FY23, SIL reported non-operating income of ₹7.67 crore from the monetization of non-core assets thus supporting its cash flows. Gross cash accruals (GCA) though declined, remained moderate at ₹22.70 crore during FY23 as compared with ₹37.30 crore during FY22.

With decline in the profitability, SIL's debt coverage indicators deteriorated marked by PBILDT interest coverage and TDGCA of 1.88x and 5.65x during FY23 as compared with 4.46x and 3.03x during FY22. Going forward, with the moderation in the raw material (maize seeds) prices as well as power and fuel cost (coal and lignite) along with expected benefit of the various process improvement capex being implemented by the company during FY23-FY24, CARE Ratings expects, SIL to sustain its PBILDT margin in the range of around 4-5%.

Despite significant growth in the scale of operation, overall debt level of the company largely remained stable at ₹128.28 crore as on March 31, 2023 as compared with ₹112.92 crore as on March 31, 2022. SIL's operations were historically supported by the promoters through fund infusion by monetization of the non-core assets as well as inter-corporate deposit and loans and advances. Debt also includes fixed deposit of ₹31.56 crore and loans and advance from related party of ₹7.50 crore. Fixed deposits are mainly from directors, friends, employees and public which had exhibited an increasing trend in past five years with majority of

them getting rolled over on maturity. Capital structure remained moderately leveraged marked by overall gearing of 1.09x as on March 31, 2023 as compared with 1.04x as on March 31, 2022. Going forward, total capex requirement would be around ₹30-35 crore during FY24 which would be funded from the term loan of ₹22.50 crore and balance from the internal accruals.

Susceptibility of profitability to volatile raw material price and foreign exchange fluctuation risk

Raw material (Maize seeds) is the major cost which grew from around 66% during FY22 (FY21: 63%) to 69% during FY23. Maize being an agriculture commodity; the operations of players like SIL are vulnerable to inherent risks associated with volatility in agri-based inputs prices arising from vagaries of the monsoon, acreage under cultivation, crop yield level and global demand-supply mismatches. Furthermore, the prices of agricultural commodities are also controlled by the Government through setting of minimum support price (MSP). The government has raised the MSP of Maize from ₹1962 per quintal for 2022-23 to ₹2090 per quintal in 2023-24. SIL derived around 87% of its sales from domestic market during FY23 (FY22: 90%) and balance from the export market. It generally hedges around 50-60% of its foreign exchange exposure through forward contracts whereas balance portion is exposed to the adverse movement in the foreign rates.

Presence in a competitive agriculture processing industry

Maize processing industry is highly competitive with presence of few large players and large number of unorganized players. The industry has witnessed the capacity addition in past 2-3 years by the major players and some of the new capacity would come online in next 1-2 years thus limiting the pricing flexibility to certain extent. However, overall demand of the maize starch and its derivatives is growing steadily from the multiple end-used industries.

Liquidity: Adequate

SIL's has adequate liquidity marked by modest cash accruals against its debt repayment obligation. SIL is expected to earn GCA of around ₹30-35 crore during as compared with debt repayment obligation of around ₹20 crore (which also includes FD maturity of around ₹11 crore which is generally renewed) during FY24. On a standalone basis, average monthly fund based working capital utilization remained low at around 47% for past months ended April 2023. Cash flow from operation declined from ₹74.41 crore during FY22 to ₹24.15 crore during FY23 due to rationalization of the creditor level which was high as on March 31, 2022. SIL had cash and cash equivalents of ₹2.18 crore as on March 31, 2023 (₹ 2.27 crore as on March 31, 2022).

Historically, capex related to the process improvement was funded from internal accruals and partly from working capital leading to below unity current ratio.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Incorporated in 1941, SIL (CIN: L99999GJ1941PLC000471) is one of the oldest maize processing companies in India. SIL is engaged in the manufacturing of maize starch and its downstream value-added products which find application in diverse industries. Its manufacturing facility is located at Kathwada, Ahmedabad having installed capacity of 850 TPD of maize processing as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (Abridged)
Total operating income	766.27	1,007.01
PBILDT	49.55	21.48
PAT	18.84	7.22
Overall gearing (times)	0.87	0.99
Interest coverage (times)	4.92	2.08

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4

Complexity level of various instruments rated: Annexure-5

Lender details: Annexure-6

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 along with Rating Outlook
Fixed Deposit	-	-	-	12-36 months	40.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	January 2030	72.80	CARE BBB+; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing	-	-	-	-	7.50	CARE A3+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	-	90.00	CARE BBB+; Stable / CARE A3+

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	72.80	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jul-22)	1)CARE BBB+; Stable (23-Aug-21) 2)CARE BBB+; Stable (04-Aug-21)	1)CARE BBB-; Stable (07-Oct-20) 2)CARE BBB-; Stable (08-Jul-20)
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	90.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (05-Jul-22)	1)CARE BBB+; Stable / CARE A3+ (23-Aug-21) 2)CARE BBB+; Stable (04-Aug-21)	1)CARE BBB-; Stable / CARE A3 (07-Oct-20) 2)CARE BBB-; Stable (08-Jul-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2020-2021
							Stable / CARE A3+ (04-Aug-21)	Stable / CARE A3 (08-Jul-20)
3	Non-fund-based - ST-Working Capital Limits	ST	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE A3+ (23-Aug-21) 2)CARE A3+ (04-Aug-21)	1)CARE A3 (07-Oct-20) 2)CARE A3 (08-Jul-20)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE BBB+; Stable / CARE A3+ (23-Aug-21) 2)CARE BBB+; Stable / CARE A3+ (04-Aug-21)	1)CARE BBB-; Stable / CARE A3 (07-Oct-20) 2)CARE BBB-; Stable / CARE A3 (08-Jul-20)
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	7.50	CARE A3+	-	1)CARE A3+ (05-Jul-22)	1)CARE A3+ (23-Aug-21) 2)CARE A3+ (04-Aug-21)	1)CARE A3 (07-Oct-20) 2)CARE A3 (08-Jul-20)
6	Fixed Deposit	LT	40.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jul-22) 2)CARE BBB+; Stable (22-Jun-22)	1)CARE BBB+ (FD); Stable (23-Aug-21) 2)CARE BBB+ (FD); Stable (04-Aug-21)	1)CARE BBB- (FD); Stable (07-Oct-20) 2)CARE BBB- (FD); Stable (08-Jul-20)

*Long term/Short term.

Annexure-3: List of subsidiaries and joint ventures of SIL getting consolidated

Sr. No.	Name of the Entity	% holding as on March 31, 2023
1	Sayaji Seeds LLP	64%
2	Alland & Sayaji LLP	50%

Annexure-4: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-5: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-6: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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