Sayaji Industries Limited

February 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	72.80	CARE BBB; Negative	Revised from CARE BBB+; Stable
Long Term / Short Term Bank Facilities	90.00	CARE BBB; Negative / CARE A3	Revised from CARE BBB+; Stable / CARE A3+
Short Term Bank Facilities	7.50	CARE A3	Revised from CARE A3+
Fixed Deposit	40.00	CARE BBB; Negative	Revised from CARE BBB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities/instruments of Sayaji Industries Limited (SIL) is on account of significant decline in its profitability with net losses during 9MFY24 (refers to the period from April 1 to December 31), resulting in moderation in its debt coverage indicators. Profitability was impacted primarily due to moderation in the by-product prices, along with relatively higher overheads due to capacity expansion undertaken during FY23 which is yet to scale-up.

While CARE Ratings Limited (CARE Ratings) notes that the company is undertaking process improvement capex which is expected to translate into substantial cost saving and improvement in the profitability from Q1FY25 onwards, overall performance of the company for FY24 is envisaged to remain significantly lower than earlier envisaged level.

The ratings continue to derive strength from 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 moderately leveraged capital structure, susceptibility of its profitability to volatile raw material price and foreign exchange fluctuation risk and its presence in the competitive agro-processing industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Improvement in the capital structure marked by overall gearing below 1.20x
- Improvement in total debt to profit before, interest, lease, depreciation and tax (PBILDT) and interest coverage of above 3x on sustained basis
- Improvement in current ratio above unity on sustained basis

Negative factors:

- Continued subdued profitability resulting in cash losses
- Deterioration in overall gearing above 1.80x on sustained basis
- Total debt to PBILDT of above 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; rated CARE BB; Stable/CARE A4), and Alland & Sayaji LLP (ASL; a 50:50 JV; rated CARE BBB-; Stable/CARE A3) as on March 31, 2023. Details of subsidiaries consolidated are shown in **Annexure-6.**

Outlook: Negative

The revision in the outlook from 'Stable' to 'Negative' is on account of continued q-o-q net losses incurred by the company during 9MFY24 impacting its debt coverage indicators, which, if continues, may significantly impact SIL's credit profile going forward.

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

While the company is undertaking process improvement capex, the realization of the benefits and improvement in the profitability will remain a key monitorable.
CARE Ratings may revise the outlook to 'Stable' if there is an improvement in the operating profitability and debt coverage indicators as envisaged.

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 having track record of over eight decade. It is promoted by Mehta family and is presently being managed by Mr. Priyam Mehta along with his son Mr. Varun Mehta and Mr. 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), ASL and SSL.
NBC is engaged in manufacturing of high density poly-ethylene (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

SIL is amongst the few plyers having presence in the entire value-chain of the starch and its derivative. Apart from starch, it also manufactures various derivatives such as liquid glucose and value-added products like dextrose monohydrate (DMH), anhydrous dextrose (ADH) and sorbitol among others. The process also yields the by-products (around 22-27% of in terms of sales value) such as hydrol, maize gluten, maize oil and oil cake, etc. The proportion of the by-products in the overall sales (on a standalone basis) moderated from around 23% during FY23 (FY22: 27%) to around 21% during 9MFY24 due to moderation in the sales realization mainly for the maize oil and maize gluten. SIL also manufactures dry food powder primarily tomato powder.
The products being manufactured by SIL have diverse industrial applications such as textile, paper, pharmaceutical, food and confectionery, cosmetic, paint as well as for poultry and animal feed. It also has 3.50 MW of coal-based power plant (which is being replaced with higher capacity) and 1.50 MW of gas -based power plant which meets around 50-60% of its internal power requirement.
SIL has established strong marketing and procurement network with its long presence in the industry. it 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

On a consolidated level, TOI of SIL moderated by around 8% to ₹710.28 crore during 9MFY24 (9MFY23: ₹770.92 crore) majorly on the back of moderation in the sales realization which due to moderation in the raw material prices as well as increase in the competitive intensity. SIL's standalone TOI (9MFY24: ₹680 crore) continued to remain the major contributor to its consolidated TOI, with around 96% share (FY23: 97%).
Considering the moderation in the performance during 9MFY24, CARE Ratings expects the scale of operation of SIL to moderate by around 6-8% during FY24.
SSL reported TOI of ₹31.43 crore during 9MFY24 (FY23: ₹34.43 crore) with net profit of ₹0.16 crore (FY23: net loss of ₹0.79 crore). ASL reported TOI of ₹30.52 crore during 9MFY24 (FY23: ₹44.69 crore) with PAT of ₹6.55 crore (FY23: ₹8.68 crore).

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 profitability with deterioration in debt coverage indicators during 9MFY24

SIL reported significant decline in its profitability during 9MFY24 marked by PBILDT margin of 1.62% as compared to 2.16% in FY23 owing to significant moderation in the by-product prices. The lower yield from the grinding operations coupled with comparatively higher fixed cost (due to capacity expansion capex completed during FY23) including higher employee cost resulted in q-o-q net losses during 9MFY24.

The decline at PBILDT level along with moderate increase in interest and finance cost and depreciation charge resulted in net loss of ₹3.84 crore in 9MFY24 (9MFY23: net profit of ₹7.07 crore) with modest gross cash accruals (GCA) of ₹4.27 crore. With declined in profitability, debt coverage indicators too moderated, marked by PBILDT interest coverage of 1.06x (FY23: 1.88x).
While overall performance of the company is expected to remain subdued during FY24, CARE Ratings notes that company has undertaken the price revision in some of the products during Q4FY24 which along with completion of the on-going process improvement capex by FY24 end is envisaged to translate into substantial cost saving and improvement in the profitability from Q1FY25 onwards. Fructification of the same shall remain crucial from credit perspective.

Moderately leveraged capital structure
Total debt level of the company increased from ₹128.28 crore ore as on March 31, 2023 to ₹177.73 as on September 30, 2023 due to availment of the debt for on-going capex as well as increase in the working capital borrowing. SIL is undertaking process improvement capex around ₹30-32 crore during FY24 and ₹10-12 crore during FY25, to be funded from the term loan of around ₹29 crore, part of which was availed during 9MFY24.
With increase in debt, capital structure of the company deteriorated from 1.09x as on March 31, 2023 to 1.44x as on September 30, 2023 and the same is envisaged to further moderate, considering the continued subdued performance.
Historically, promoters have supported the operations of the company by means of monetization of certain non-core assets as well as inter-corporate deposits. Debt also includes fixed deposits of ₹31.56 crore and loans and advance from related party of ₹7.50 crore as on March 31, 2023. Fixed deposits are mainly from directors, friends, employees and public and have exhibited an increasing trend in past five years with majority of them getting rolled over on maturity.

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 an adequate liquidity profile, considering moderate average monthly fund based working capital utilization of around 58% for past months ended January 2024 on a standalone basis. Considering the sizable debt repayment obligation during FY25, improvement in the profitability and/or incremental funding support from the promoter would remain crucial from the liquidity perspective.
Owing to moderation in profitability in past few quarters, company's gross cash accruals have remained modest against its annual debt repayment obligation of around ₹20 crore during FY24. However, the same also includes FD maturity of around ₹11 crore which is generally renewed), while SIL has largely re-paid its term debt obligation for the year as on February 13, 2024, facilitated by creditors and incremental working capital borrowings.
SIL had cash and cash equivalents of ₹0.63 crore as on September 30, 2023 as compared with ₹2.18 crore as on March 31, 2023. Historically, capex related to the process improvement has been funded from internal accruals and partly from working capital leading, to below unity current ratio.

Assumptions/Covenants: Not Applicable

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

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)- Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	794.98	1041.39	710.28
PBILDT	50.33	22.53	11.54
PAT	18.85	6.94	-3.84
Overall gearing (times)	1.04	1.09	N.A.
Interest coverage (times)	4.46	1.88	1.06

A: Audited UA: Un-audited; N.A.: Not Available; 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-3

Complexity level of various 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 along with Rating Outlook
Fixed Deposit	-	-	-	-	40.00	CARE BBB; Negative
Fund-based - LT-Term Loan	-	-	-	January 2030	72.80	CARE BBB; Negative
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; Negative / 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; Negative	1)CARE BBB+; Stable (05-Jul-23)	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; Negative / CARE A3	1)CARE BBB+; Stable / CARE A3+ (05-Jul-23)	1)CARE BBB+; Stable / CARE A3+ (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)
3	Non-fund-based - ST-Working Capital Limits	ST	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE A3+ (23-Aug-21) 2)CARE A3+	1)CARE A3 (07-Oct-20) 2)CARE A3

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
							(04-Aug-21)	(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-23)	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; Negative	1)CARE BBB+; Stable (05-Jul-23)	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: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: 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-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sayaji Seeds LLP	Full	Subsidiary
2	Alland & Sayaji LLP	Proportionate	Joint Venture

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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: +91-79-4026 5611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Nikita Goyal Associate Director **CARE Ratings Limited** Phone: +91-79-4026 5616 E-mail: nikita.goyal@careedge.in Jignesh Trivedi Assistant Director **CARE Ratings Limited** E-mail: jignesh.trivedi@careedge.in

About us:

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