

Alland & Sayaji LLP

June 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / short-term bank facilities	10.00 (Enhanced from 4.00)	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of ASL derive strength from its experienced promoters, synergy derived from it being part of the Ahmedabad-based Sayaji group and its technical collaboration with its joint venture (JV) partner, Societe Development Produits Afrique (SDPA), France (holding company of Alland & Robert), which has a track record of operations of around 130 years and has significant presence in natural plant exudates for food, cosmetic and pharmaceutical industries, with a strong focus on acacia gum. The rating also considers its diversified customer base and moderate geographical presence, financial risk profile marked by healthy profitability, nil debt and its adequate liquidity.

However, the rating is constrained by its growing albeit small scale of its operations, presence in the competitive food processing industry, susceptibility of its profitability to volatile agriculture commodity prices and capital withdrawal risk inherent due to limited liability nature of its constitution.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume backed growth in scale of operation with total operating income (TOI) above ₹75 crore, while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 17% on sustained basis.

Negative factors

- Debt funded capex, leading to overall gearing of above 1.50x
- Decline in PBILDT margin below 12% on sustained basis.

Analytical approach: Standalone

The analytical approach has been revised from standalone with operational and financial linkages with one its JV partner, SIL, considering withdrawal of its corporate guarantee to bank facilities of ASL vide a bank-sanctioned letter dated January 08, 2024.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that ASL would continue to maintain its comfortable financial risk profile supported by operational synergy with SIL and technical collaboration with SDPA.

Detailed description of key rating drivers

Key strengths

Experienced promoters and synergy derived being part of Ahmedabad-based Sayaji group and technological tie up with SDPA, France

ASL (formerly Sayaji Ingritech LLP) was incorporated in 2016 as a subsidiary of SIL (75.99% stake as on March 31, 2019). On March 30, 2019, SIL entered a 50-50% JV agreement with SDPA for manufacturing gum acacia, gum ghatti and gum blends. The JV became effective from April 01, 2019, subsequently SIL and SDPA hold 50% stake each in ASL for gum-based products, while SIL would hold 100% for non-gum-based products. However, in the last 2-3 years, focus on the non-gum-based products segment reduced and has been gradually transferred to the SIL. ASL continues to benefit from its association with SIL, one of the oldest maize processing companies in India, which was promoted by the Ahmedabad-based Mehta family. SIL is engaged in manufacturing maize starch and its downstream value-added products, which find application in diverse industries including textile, chemical, process foods, pharmaceutical, paints and other industry. Promoters have further infused funds per requirements in the firm in past. Vishal Mehta, designated partner in ASL, is also the executive director in SIL. SDPA is the holding company of Alland & Robert, which is based in France. It has track record of operations of around 130 years and is an international leader in natural plant exudates for the food, cosmetic and pharmaceutical industries, with a strong focus on gum acacia/arabic. It exports its products to 69 countries with network of 37 distributors across the world. Anne Sophie Alland (belongs to the promoter group Alland & Robert) overlooks technical aspects and is a designated partner in ASL. Alland & Robert provides the necessary technological support for manufacturing gum powder, sourcing of quality raw material, and export market development.

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

Diversified customer base and moderate geographical presence

Gum-Arabic powder has wide-spread industrial application ranging from pharmaceutical, food & beverages, flavouring agent, and dairy industry among others. It is one of the most critical raw materials in the food flavour industry, especially in the emulsion and encapsulation process. ASL used to sell its products (around 70% in FY21 and FY22) in the domestic market. However, export sales remained higher in FY23 and FY24 at 68% and 72% respectively, considering strong export demand. ASL has a wide customer base with top five customers forming around 51% of net sales in FY24 (FY23: 41%).

Financial risk profile marked by healthy profitability and nil debt

ASL's PBILDT margin remained low in the initial years. However, it started improving from FY21 with scaling-up operations and improved significantly in FY23, mainly owing to higher export sales. Further, in FY24, the PBILDT margin improved marginally by 50 bps on y-o-y basis and remained healthy at 32.26% on the back of continued higher margin export sales. Profit after taxes (PAT) margin also remained healthy on the back of healthy PBILDT and low interest and finance cost. ASL reported gross cash accruals (GCA) of ₹9.74 crore in FY24 as compared to ₹9.20 crore in FY23. Return indicators continue to remain strong marked by return on capital employed (ROCE) of 52.74% and return on net worth (RONW) of 34.85% in FY24. Going forward, with continued exports and the addition of a large customer, ASL is expected to sustain its profitability at its present level.

ASL's debt profile comprises working capital borrowing. With healthy GCA, its reliance on working capital borrowing declined, leading to nil debt outstanding (o/s) as on March 31, 2023, and March 31, 2024. Overall debt coverage indicators remained strong in FY24 marked by interest coverage of 125.61x in FY24. Capital structure is expected to moderate in the near term on the back of higher inventory storage to ensure continuity of operations.

Key weaknesses

Growing albeit small scale of its operations

ASL's TOI largely remained stable on y-o-y basis in FY24 at ₹45.26 crore as against ₹44.69 crore in FY23, despite a decrease in sales volume of 20% as this was offset by an increase in sales realisation by around 27%. In FY25, ASL expects to report TOI of ₹50 crore.

Capital withdrawal risk inherent due to its limited liability nature its constitution

Being a limited liability partnership, ASL's operation is inherently susceptible to the withdrawal of the capital by partners, however, there have been no such instances in the past. The small capital base of ₹30.06 crore as on March 31, 2024, restricts its financial flexibility for future growth prospects. However, there are no instances of capital withdrawn in the last five years.

Presence in competitive food processing industry with susceptibility of profitability to volatile agri-commodity prices

Agriculture commodities (such as tomatoes, gum-arabic, among others) are key raw materials for ASL. Prices of these raw materials remained volatile and depend on vagaries of monsoon, rainfall and crop patterns. Due to seasonal availability of raw material and its quality, the firm's profitability is highly susceptible to their prices, which exhibited a fluctuating trend in the past. The commoditised nature of the product, limited value-addition and limited bargaining power with large organised fast-moving consumer goods (FMCG) entities, restricts pricing power to an extent. ASL majorly purchases raw material from China and Sudan, which makes its profitability susceptible to volatile foreign exchange fluctuations in the absence of an active policy. Food processing industry is intensively competitive with presence of large number of small and micro entities having regional presence and few large players having nationwide presence. High competition within the industry limits the entity's ability to transfer increasing prices of raw materials, as it involves the risk of becoming less competitive.

Liquidity: Adequate

ASL is expected to earn GCA of ~₹8-10 crore for FY25 as against its nil term debt repayment obligation. Cashflow from operation stood at ₹1.83 crore in FY24 as compared to ₹3.78 crore in FY23. It has liquid investment and free cash and bank balance of ₹2.47 crore as on March 31, 2024 (₹2.63 crore as on March 31, 2023).

Agro-based commodities being seasonal, necessitate inventory holding throughout the year for uninterrupted operation. With the majority raw material requirement being met from import involving 30-40 days of lead time, it needs to maintain sufficient inventory for its raw material. Average collection period too remained in the range of 40-60 days. ASL's operating cycle remained elongated at 206 days in FY24 as compared to 116 days in FY23. The operating cycle moderated in FY24, mainly owing to higher raw material inventory due to import of specified quality raw material against contracted supply.

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

Macro-economic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Food products	Other food products

ASL (LLPIN: AAF-5992) is a 50 -50% JV between Societe Development Produits Afrique (SDPA), France, the holding company of Alland & Robert, and Gujarat based SIL for manufacturing gum acacia, gum ghatti and gum blends. On March 30, 2019, SIL entered a 50-50% JV agreement with SDPA in the name of 'Sayaji Ingritech LLP' and became effective from April 01, 2019. Subsequently, the name was changed to ASL. ASL manufactures spray dried food products including tomato powder, gum arabic powder, cheese powder, and fat-based powder. Products manufactured by ASL find application in confectioneries, consumer foods, soft drinks, and flavours & seasoning industries. The firm operates through its sole manufacturing facility at Ahmedabad, Gujarat with installed capacity of 2,160 TPA as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	44.69	45.26
PBILDT	14.19	14.60
PAT	8.68	9.15
Overall gearing (times)	0.00	0.00
Interest coverage (times)	61.12	125.61

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-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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/non-fund-based-LT/ST	-	-	-	-	10.00	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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE BBB+ (CE); Stable (04-Aug-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	10.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (05-Jul-23)	1)CARE BBB+ (CE); Stable / CARE A3+ (CE) (05-Jul-22)	1)CARE BBB+ (CE); Stable / CARE A3+ (CE) (04-Aug-21)
3	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	1)Withdrawn (05-Jul-23)	1)CARE BB+ / CARE A4+ (05-Jul-22)	1)CARE BB+ / CARE A4+ (04-Aug-21)

LT: Long term; LT/ST: 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	Fund-based/non-fund-based-LT/ST	Simple

Annexure-5: 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.

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About us:

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