

## Sayaji Industries Limited

June 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	65.59 (Reduced from 72.80)	CARE BBB-; Negative	Revised from CARE BBB; Negative
Long-term / short-term bank facilities	90.00	CARE BBB-; Negative / CARE A3	Revised from CARE BBB; Negative / CARE A3
Short-term bank facilities	7.50	CARE A3	Reaffirmed
Fixed deposit	40.00	CARE BBB-; Negative	Revised from CARE BBB; Negative

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in long-term ratings assigned to bank facilities/instrument of Sayaji Industries Limited (SIL) is considering higher-than-envisaged deterioration in profitability in Q4FY24 (FY refers to April 01 to March 31), which resulted in cash loss and deterioration in debt coverage indicators in FY24. The company continues to face headwinds from elevated maize prices and high overheads. While CARE Ratings Limited (CARE Ratings) notes that the company has concluded major process improvement capex in Q4FY24, which will improve operational efficiency and result in cost saving going forward, overall profitability for FY25 is expected to remain lower than the earlier envisaged level. Going forward, SIL expects to generate sizeable incremental cash flows from sale of non-core assets, which is expected to support the operations of the company in the aftermath of subdued business operations.

The ratings continue to derive strength from its experienced promoters, along with established track record of around eight decades in maize processing industry, strong product profile, and established sales network with diversified clientele. The ratings also continue to factor its moderate scale of operations, adequate liquidity, and lean operating cycle.

The ratings, however, continue to remain constrained on account of its moderately leveraged capital structure and susceptibility of its profitability to volatile raw material price, foreign exchange fluctuation risk and 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 of below 1.20x
- Improvement in total debt to profit before interest, lease, depreciation and tax (TD/PBILDT) below 3x on a sustained basis.
- Improvement in the liquidity with the monetization of the non-core assets.

#### Negative factors

- Continued subdued profitability, resulting in cash losses in FY25
- Deterioration in the overall gearing above 2x.

### Analytical approach: Consolidated

Analytical approach has been revised from Consolidated along with factoring corporate guarantee (CG) extended by SIL. CG given to the bank facilities to ASL has been removed, as stated in the bank sanction letter. Currently, SIL has extended unconditional and irrevocable CG to the bank facilities of SSL (a subsidiary). Details of subsidiaries consolidated are shown in **Annexure-6**.

### Outlook: Negative

The outlook is 'Negative' on account of continued decline in the profitability of the company in FY23-FY24, which resulted in significant moderation in capital structure and debt coverage indicators, which, if continues, may further impact SIL's credit profile. CARE Ratings may revise the outlook to 'Stable' if there is an envisaged improvement in operating profitability and/or incremental cashflows from sale of non-core assets in envisaged timeframe to support operations.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Detailed description of the key rating drivers:

### Key strengths

#### Experienced promoters and established track record of eight decades in the manufacturing of maize processing industry

Established in 1941, SIL is one of the oldest maize processing companies in the country with a track record of over eight decades. SIL is promoted by Mehta family and is presently managed by Priyam Mehta along with his sons, Varun Mehta and Vishal Mehta, who have vast experience in the industry. Promoters are resourceful and historically supported the company's operation through infusion of funds by 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 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 among the few players having presence in the entire value-chain of starch and its derivative, with installed capacity of 930 tons per day (TPD). Apart from starch, it also manufactures various derivatives such as liquid glucose and value-added products such as dextrose monohydrate (DMH), anhydrous dextrose (ADH), and sorbitol among others. The process also yields by-products (around 22-27% of its standalone TOI) such as hydrol, maize gluten, maize oil and oil cake, among others. The proportion of by-products in overall sales moderated and remained around 22% in FY24 (FY23: 23%). The moderation in the sales realization of by-products was mainly due to decline in prices of the maize oil and maize oil cake due to demand supply dynamics. 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. SIL has 1.50 MW of gas-based power plant and it is installing 4.50 MW of steam turbine, which will commence operation in Q2FY25. The installation of steam turbine shall result in substantial saving in power and fuel cost from H1FY25 onwards. SIL has established 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 in FY24 (FY23: 33%).

#### Moderate scale of operation with lean operating cycle

SIL's has moderate base with TOI of ₹976.85 crore in FY24. TOI moderated by 6% on y-o-y basis owing to moderation in sales realisation, whereas as sales volume remained stable. SIL's standalone TOI (₹936 crore in FY24) continue to remain a major contributor to its consolidated TOI (₹976.85 crore in FY24), with around 96% share in FY24 (FY23: 97% share). CARE Ratings expects SIL's scale of operation to grow by around 8-10%, largely driven by sales volume. SSL reported TOI of ₹38.88 crore in FY24 (FY23: ₹34.43 crore) with net profit of ₹0.16 crore (FY23: net loss of ₹0.79 crore). ASL reported TOI of ₹45.26 crore in FY24 (FY23: ₹44.69 crore) with PAT of ₹9.15 crore (FY23: ₹8.68 crore).

SIL generally keeps maize inventory of ~15-20 days and avails credit period of 70-90 days. Debtor's days remained lean at around 25-30 days. Payable days and inventory days in FY24 remained high mainly owing to purchase of inventory near year end.

### Key weaknesses

#### Higher-than-envisaged decline in profitability, leading to cash losses in FY24

SIL reported operating loss as against envisaged profit in Q4FY24. The same was on account of significant increase in the raw material prices which was not fully passed on to the customers coupled with continued subdued by-product prices along with high overhead with completion of the major capex, whose benefit is yet to accrue. It reported cash loss of around ₹7 crore in FY24 (FY23: GCA of ₹18.48 crore).

CARE Ratings takes cognisance of operational improvement measures undertaken by the company, which are expected to support improvement in PBILDT margin going forward. However, the extent of improvement remains a key rating monitorable, considering the sustained elevated raw material prices.

#### Moderately leveraged capital structure and deterioration in debt coverage indicators

SIL's capital structure remained moderately leveraged marked by overall gearing of 1.62x as on March 31, 2024 (P.Y: 1.09x). The moderation was mainly owing to increase in the company's TD by availing term loan and increase in working capital debt to support operations. With the no major debt-funded capex plan in the near term and the company's focus to operate on an optimum capacity, CARE Ratings notes that SIL would improve its capital structure going forward.

With significant decline in profitability coupled with increase in the total debt, overall debt coverage indicators of SIL marked by PBILDT Interest coverage and TD/PBILDT decline from 1.88x and 5.69 years in FY23 to 0.46x and 25.14 years in FY24. Historically,

promoters have supported SILs operations through infusion of funds by way of monetisation of non-core assets and inter-corporate deposit. Debt also includes fixed deposits of ₹29.74 crore and loans and advance from related party of ₹7.50 crore as on March 31, 2024. Majority fixed deposits are mainly from directors, friends, employees and public with majority 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 74% in FY23 to 75% in FY24. Maize being an agriculture commodity; operations of players such as SIL are vulnerable to inherent risks associated with volatility in agri-based inputs prices arising from vagaries of 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 MSP of Maize from ₹1962 per quintal for 2022-23 to ₹2090 per quintal in 2023- 24. SIL derived around 86% of its TOI from domestic market in FY24 (FY23: 87%) and balance from the export market. It generally hedges around 50-60% of its foreign exchange exposure through forward contracts, while balance portion is exposed to adverse movement in 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 unorganised players. The industry has witnessed capacity addition in the last 2-3 years by major players and some of the new capacity would come online in next 1-2 years, limiting pricing flexibility to a certain extent. However, overall demand of maize starch and its derivatives is growing steadily from multiple end-used industries.

#### **Liquidity: Adequate**

SIL's liquidity position remained adequate, marked by average working capital utilisation of 58% for 12-months ended April 2024, healthy cashflow from operations (CFO) of ₹31.76 crore with lean operating cycle in FY24. SIL is expected to achieve GCA of around ₹20-25 crore as against debt repayment obligation of around ₹13 crore (excluding FD maturity) in FY25. SIL had cash and cash equivalents of ₹3.47 crore as on March 31, 2024 (₹2.18 crore as on March 31, 2023). 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**

[Definition of Default](#)

[Consolidation](#)

[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

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 930 TPD of maize processing as on April 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Ab.)
Total operating income	1041.39	976.85
PBILDT	22.53	6.82
PAT	6.94	-11.67
Overall gearing (times)	1.09	1.62
Interest coverage (times)	1.88	0.46

A: Audited; Ab.: Abridged; 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
Fixed Deposit	-	-	-	-	40.00	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-	-	January 2030	65.59	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 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	65.59	CARE BBB-; Negative	-	1)CARE BBB; Negative (19-Feb-24) 2)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)
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; Negative / CARE A3 (19-Feb-24) 2)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)

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)
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)
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	7.50	CARE A3	-	1)CARE A3 (19-Feb-24) 2)CARE A3+ (05-Jul-23)	1)CARE A3+ (05-Jul-22)	1)CARE A3+ (23-Aug-21) 2)CARE A3+ (04-Aug-21)
6	Fixed Deposit	LT	40.00	CARE BBB-; Negative	-	1)CARE BBB; Negative (19-Feb-24) 2)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)

LT: Long term; ST: Short 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	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
3	Sayaji Industries FZC	Full	Subsidiary

**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](mailto:care@careedge.in) for any clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Jignesh Trivedi Assistant Director <b>CARE Ratings Limited</b> Phone: 079-40265631 E-mail: <a href="mailto:jignesh.trivedi@careedge.in">jignesh.trivedi@careedge.in</a>
	Darshini Shah Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Darshini.Shah@careedge.in">Darshini.Shah@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**