Symega Food Ingredients Limited

December 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE A; Stable and Withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A1 and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE A; Stable/CARE A1' (A; Outlook: Stable/ A one) assigned to bank facilities of Symega Food Ingredients Limited (SFIL) with immediate effect. The above action has been taken at SFIL's request and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE Ratings.

Ratings continue to derive strength from the vast experience of promoters in the related business and the company's established position as a reputed supplier of spice mixes, seasonings, and savoury flavours to top fast-moving consumer goods (FMCG) players. Ratings also factor in healthy profitability margins, and comfortable capital structure marked by low overall gearing. However, ratings are constrained by the concentration of revenues from few clients, profit margins exposed to raw material price volatility, and working capital intensive operations.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the company is likely to sustain its financial and operational performance in the medium term, considering stable demand from its seasonings, spice blends and savoury products.

Detailed description of key rating drivers

Key strengths

Vast experience of promoters

SFIL is a part of the Kerala-based 'Synthite' group, which was established by a first-generation entrepreneur, C V Jacob, in 1972. The Synthite Group was established in 1972 and has expanded its presence around the globe by commencing operations in Sri Lanka (procurement), Brazil (sales), USA (sales) and China (manufacturing). Synthite Industries Private Limited (SIL) is among the leading exporters of spice oleoresins with a large market share in the oleoresin export market. SFIL benefits from SIL's established presence in the spice market and draws operational synergies in the form of common supplier base and access to its infrastructure and research and development (R&D) facilities. The company's day-to-day operations are managed by Santhosh Stephen, managing director, who has rich experience in the related field. He is supported by a team of professionals to manage the day-to-day operations.

Established business profile and long-standing relationship with reputed FMCG players

SFIL is one of the established players in manufacturing spice mixes, seasonings, mixed condiments, spice blends and savoury flavours in dry and wet forms. The company has capacity to manufacture 32450 tons of blended formulations annually. The facility has several certifications, including BRC A+ (British Retail Consortium; a global standard for food safety) certification and GMP certification from AIB International. SFIL also applies Hazard Analysis and Critical Control Points (HACCP) systematic preventive approach in food safety. These quality certifications have enabled SFIL to cater reputable FMCG companies resulting recurring order inflow over the years.

Consistent growth in scale of operations with improved profitability

The company's total operating income (TOI) witnessed compound annual growth rate (CAGR) of 17% since FY19 is driven by increasing share of wallet from contracts with existing clients and improved sales from new product lines. In FY24, the company has reported ₹500.33 crore revenue against ₹475.04 crore in FY23, benefiting from the stable demand for packaged food items. The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin improved to 11.43% in FY24 from 7.49% in FY23.

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

Comfortable capital structure and debt-protection metrics

The company's capital structure remained comfortable with overall gearing at 0.22x (PY:0.36x) as on March 31, 2024, considering healthy net worth base and low debt levels. Debt coverage indicators also remained comfortable with interest coverage at 14.68x (PY: 10.2x) in FY24 and total debt to gross cash accruals (TD/GCA) of 0.78 year (PY:1.65 years) as on March 31, 2024.

Key weaknesses

Volatility in raw material prices

SFIL's major portion of raw materials are agricultural commodities which are prone to seasonality and price fluctuations. However, as the company procures ~25%-30% raw material requirement from SIL, inventory holding period is relatively lower and inventory price risk is mitigated to a certain extent. The company ties up annual contracts at a fixed price with its suppliers for key raw materials cushioning against the volatility in input prices. The company also maintains long term relationship with suppliers and procures across the country, which ensures an uninterrupted supply of raw materials.

Concentrated customer base

The company has strong relationships with leading FMCG companies who have been procuring its products since inception and acts as a contract supplier for those companies. Concentration of the top five customers remained high accounting for ~54% sales in FY23. The company caters the diverse product mix of these FMCG companies with each product requiring a different blend. This mitigates the concentration risk to an extent. SFIL has further taken steps to diversify its revenue base, such as starting with the new specialty food division which will be providing plant-based meat products and by adding new customers, which shall gradually result in lower customer concentration.

Liquidity: Strong

The company's liquidity is adequate with healthy cushion in accruals against term debt repayment obligations. Average utilisation of working capital limits remained at 50-60% for the last 12 months ended November 2024. Overall gearing stood at 0.22 as on March 31, 2024, which reflects sufficient headroom to raise additional debt for its capex requirement. The company's operating cycle stood moderate at 77 days in FY24 (PY: 61 days). The company extends credit period of ~65-70 days, whereas it avails a credit period of 55-60 days from its suppliers. SFIL's current ratio stood at 2.07 as on March 31, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Other food products

SFIL is a part of the Kerala-based Synthite group whose flagship company, SIL is engaged in manufacturing spice oleoresins, essential oils, lutein, and marigold extracts, which find application in industries including health and nutrition, food and beverages, and personal care, among others. As a part of the group's strategy to forward integration, SFIL was established in 2007 to manufacture savoury ingredients, such as seasonings, mixed condiments, spice blends and savoury flavours in dry and wet forms. These savoury ingredients find application in a wide range of products, such as snack foods, breakfast mixes, dairy, beverages, sauces, soups and noodles, confectionery, food services, ready-to-cook and ready-to-eat foods, and processed meat.

Brief Financials (₹ crore)	March 31, 2022(A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	312.11	475.04	500.33
PBILDT	30.08	35.60	57.17
PAT	18.76	18.40	34.66
Overall gearing (times)	0.30	0.36	0.22
Interest coverage (times)	16.32	10.20	14.68

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Annexure-2
Detailed explanation of covenants of rated instrument / facility: Annexure-3
Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	January 2029	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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)CARE A; Stable (16-Dec-24)	1)CARE A; Stable (02-Jan-24)	1)CARE A-; Stable (09-Nov-22) 2)CARE A-; Stable (06-Oct-22)	1)CARE A-; Stable (03-Nov-21)
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A; Stable (16-Dec-24)	1)CARE A; Stable (02-Jan-24)	1)CARE A-; Stable (09-Nov-22) 2)CARE A-; Stable (06-Oct-22)	1)CARE A-; Stable (03-Nov-21)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A1 (16-Dec-24)	1)CARE A1 (02-Jan-24)	1)CARE A2+ (09-Nov-22) 2)CARE A2+ (06-Oct-22)	1)CARE A2+ (03-Nov-21)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

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

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