

## Sindhvai Agro Industries

January 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	5.00	CARE BB; Stable / CARE A4	Assigned
Short Term Bank Facilities	30.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to the bank facilities of Sindhvai Agro Industries (SIAI) are constrained by its thin profitability and modest network base, its presence in the highly competitive and fragmented edible oil industry, and the susceptibility of its profitability to volatile agro-commodity prices.

However, ratings derive strength from the firm's experienced promoters in the edible oil industry and its moderately concentrated albeit reputed clientele. Ratings further derived strength from firm's moderate scale of operations, moderate financial risk profile, and adequate liquidity.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Volume-backed growth in Total Operating Income (TOI) on a sustained basis and Profit Before Interest, Lease Rentals, Depreciation, and Taxation (PBILDT) margins above 2% on a sustained basis, resulting in healthy cash accruals
- Sustained in overall gearing below unity alongwith improvement in debt coverage indicators with PBILDT interest coverage above 3x and liquidity on a sustained basis.

#### Negative factors

- Any major moderation in TOI and PBILDT margin from the existing level on a sustained basis.
- Deterioration in overall gearing above 2x, resulting in an adverse impact on liquidity / debt coverage indicators.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that SIAI will sustain its moderate scale of operations and moderate financial risk profile, supported by its experienced promoters and reputed clientele.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Thin profitability

SIAI's profitability remained thin due to the limited value addition and high volatility in raw material prices which is procured at market linked rates. The firm reported PBILDT margin of 1.88% in FY24 (1.36% in FY23) and a profit after tax (PAT) margin of 0.37% in FY24 (0.31% in FY23). SIAI's gross cash accruals (GCA) also remained modest at ₹2.36 crore (P.Y.: ₹2.75 crore).

##### Presence in a highly competitive and fragmented industry with inherent risk associated with volatility in agro commodities prices

The edible oil industry in India is characterized by a high degree of competition, resulting from fragmentation due to low entry barriers and low capital intensity. As a result, profitability is inherently thin.

SIAI uses mustard seeds as key raw materials for the extraction process and mustard oil cake for refining process, while the end products include Mustard oil and refined oil.

Both raw materials and end products are agricultural commodities, and their prices are affected by various factors, including monsoon, area under cultivation, prices of other edible oils, minimum support prices (MSP) set by the government, the demand-supply gap, and weather conditions in major crop-growing nations; thus, the same remain volatile.

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

## Key strengths

### Experienced Promoters

SIAI is promoted and managed by Arjun Maheshwari, along with other partners. He has over two decades of experience in manufacturing mustard oil through other group companies, Siddhi Vinayak Industries and Shrinathji Agro Industries (CARE BB-; Stable / CARE A4), both based in Gujarat. This experience has provided him with a good understanding of market dynamics and has helped him maintain relationships with both suppliers and customers.

### Moderate scale of operations

During FY24, the firm registered moderate TOI of Rs.172.40 Crore against Rs. 287.25 Crore in FY23. Moderation in the TOI is on account of decline in sales volume owing to volatile mustard oil prices. However, during 8MFY25 SIAI registered TOI of Rs. 239 Crore due to stabilisation of edible oil prices to an extent. For FY25, it is envisaged to register TOI of around Rs.350 Crore.

### Moderate financial risk profile; though networth remains modest

Firm's capital structure improved though remained moderate marked by an overall gearing of 0.92x in FY24 (1.93x in FY23). The improvement was on account of reduction in working capital limit utilization, backed by adequate operating cash flow. It is expected to improve further with nil outstanding term debt and no major planned debt-funded capex.

Networth stood modest at Rs.12.08 crore, at FY24 end (PY end: Rs.12.02 Crore).

Debt coverage indicators also remained moderate marked by PBILDT interest coverage of 2.96x during FY24 (PY: 3.06x) and Total debt to GCA of 4.72x as on March 31, 2024 (8.43x as on March 31, 2023).

### Moderately concentrated albeit reputed clientele

SIAI has a moderately concentrated customer profile, with the two major customers contributing around 40% of the firm's sales, as articulated by the management. High customer concentration may expose the firm to the risks of revenue loss or low profitability in case of a slowdown in off-take by these customers or the loss of customers. However, SIAI's clientele is reputed, with approx. 35% of sales for FY24 contributed by Godrej Industries Limited (GIL) and another 5% of by Adani Wilmar Limited. The remaining sales are derived from other local customers through brokers.

### Liquidity: Adequate

Liquidity of the firm remains adequate marked by nil term debt repayment obligations, moderate working capital limit utilization and adequate cash flow from operations.

The average working capital limit utilization remained low at 50% during past eight months ended November 30, 2024.

The firm reported net cash flow from operation (CFO) of Rs.13.64 Crore during FY24 (PY: Rs.5.04 Crore), an improvement driven by a decrease in receivables and inventory at year end which was partially offset by a decrease in creditors at the year-end. The operating cycle of the firm remained adequate at 32 days at FY24 end (PY end: 25 days).

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### 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 Firm and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Gujarat based SIAI was established in April 2015 as a partnership concern. The firm is engaged in extraction of crude oil and De-oiled cake (DOC) derived through processing of mustard oil cake through its expeller division, which has a capacity of 350 tonnes per day (TPD), and a solvent plant with a capacity of 200 TPD. The firm also has an oil refining capacity of 100 TPD. SIAI is promoted by Maheshwari family and Patel families, with the overall functioning of the firm managed by partner Arjun Maheshwari.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (Prov.)
Total operating income	286.30	172.40	239.00
PBILDT	3.92	3.25	NA
PAT	0.88	0.64	NA
Overall gearing (times)	1.93	0.92	NA
Interest coverage (times)	3.06	2.96	NA

A: Audited Prov.: Provisional NA: Not available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BB; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	30.00	CARE A4
Fund-based/Non-fund-based-LT/ST		-	-	-	5.00	CARE BB; Stable / CARE A4

#### 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-Cash Credit	LT	20.00	CARE BB; Stable				
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	30.00	CARE A4				
3	Fund-based/Non-fund-based-LT/ST	LT/ST	5.00	CARE BB; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/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 - ST-Bill Discounting/ Bills Purchasing	Simple
3	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 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](mailto:care@careedge.in) for clarifications.

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