Sanjayuttam Agrofoods Private Limited

January 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	51.46 (Enhanced from 49.46)	CARE BB; Stable	Upgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgradation in the rating assigned to the bank facilities of Sanjayuttam Agrofoods Private Limited (SAPL) factors in its successful completion of capex leading to enhancement in its production capacities from 300 metric tonnes per day (MTPA) to 600 MTPA, significant increase in the total operating income (TOI) over the period FY20 to FY24 and y-o-y improvement in the capital structure and debt coverage indicators.

The rating, however, continues to be constrained by the SAPL's moderate scale of operations with fluctuating profitability margins, leveraged capital structure, weak debt coverage indicators and working capital intensive nature of operations. The ratings further continue to be constrained by stretched liquidity position, susceptibility of profitability margins to volatility in raw material prices and company's presence in fragmented nature of industry with low entry barriers.

The ratings, however, continues to derive strength from experienced promoters with long track record of operations and reputed customer base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with TOI exceeding Rs.550 crore along with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin at around 3.50% on a sustained basis.
- Improvement in capital structure marked by overall gearing below 2.00x on a sustained basis.
- Improvement in the debt coverage indicators marked by interest coverage exceeding 2x on a sustained basis.

Negative factors

- Inability of the company to scale up the operations with TOI stands below Rs.500 crore
- Deterioration in operating cycle to above 90 days on sustained basis.
- Deterioration of overall gearing above 3.50x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The "stable" outlook on the long-term ratings reflects CARE Ratings belief that entity will continue to benefit from its experienced promoters with its long track record of operations and successful completion of capex, enabling the company to sustain its financial risk profile in the near-to-medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations and profitability margins

The overall scale of operations of the company remained moderate marked by Total Operating Income (TOI) of Rs.288.41 crore in FY24 as compared to Rs.290.23 crore in FY23. The revenue distribution remained consistent, with Maida contributing approximately 50% of total sales and other products (such as rawa, aata, and bran) making up the remaining 50%. During 9MFY25, TOI of the company stood at Rs.226.78 crore. Further, the company is projected to achieve TOI of Rs.350 crore for FY25 on the back of expected commencement of enhanced production capacities from February 2025 onwards.

The PBILDT margin has remained moderate and fluctuating in the range of 2.36% and 4.65% in the past four ended FY24. It stood at 2.83% in FY24 compared to 2.36% in FY23. The marginal improvement in the same was due to decline employee cost and other expenses due to cost cutting measures undertaken by the company. The PAT margin also witnessed marginal improvement, though it remained thin at 0.57% in FY24 compared to 0.48% in FY23, which is in line with the PBILDT margins. For FY25, the PBILDT margins are expected to improve in the near to medium terms on the back of expected increase in the scale of operations thereby enabling proportionate reduction in various costs.

Leveraged capital structure and weak debt coverage indicators

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

The capital structure has improved marked by overall gearing stood at 2.03x as on March 31, 2024, compared to 3.25x as on March 31, 2023, mainly due to subordination of unsecured loans from promoters coupled with an increase in the tangible net worth base due to profit accretion. Nevertheless, it continued to remain leveraged due to a higher reliance on external debt and low tangible networth base.
Similarly, the debt coverage indictors remained weak marked by total debt/GCA, although improved and stood at 14.91x in FY24 as against 18.98x in FY23 due to improvement in profitability and in turn led to increase in in absolute GCA. The interest coverage ratio improved marginally but continued to remain weak at 1.69x in FY24, up from 1.65x in FY23, driven by higher absolute PBILDT during the year.

Working capital-intensive nature of operations
The operation of SAPL stood moderately working capital intensive marked by gross current assets period of 80 days in FY24 (PY: 69 days) due to amounts blocked in inventory and debtors. The operating cycle of SAPL stood moderate at 66 days in FY24 (vis-à-vis 60 days in FY23), with marginal deteriorated in the collection period from 34 days in FY23 to 38 days in FY24. The inventory period stood moderate at 37 days in FY24 (vis-à-vis 34 days in FY23). SAPL receives credit period of around 5-7 days from its suppliers and offers credit period of 5 days to 60 days to its customers. The working capital requirements of the company primarily being met through external debt.

Susceptibility of profitability margins to volatility in raw material prices
Key raw material for the company is wheat which is procured from local market in Maharashtra and Madhya Pradesh. The price of wheat is influenced by government policies. Further, being an agricultural commodity the prices of wheat also driven by climatic conditions and crop availability. Thus, exposing the company to price volatility risk.

Operations in highly competitive and fragmented nature of industry with low entry barriers
SAPL operates in a highly fragmented and competitive industry intensified due to low entry barriers resulted in presence of large number of players in the unorganized segment. The players in the industry do not have pricing power and are exposed to competition resulting in pressures on profitability.

Key strengths
Established relationship with a diversifies customer and supplier base
Over the years, the company has established its relations with large number of traders and distributors in the local market. Hence, the top 5 customers contributed to only 21.83% of the total sales in FY24 as compared to 16.20% of the total sales in FY23. Further, company also deals with reputed customer in the bakery and biscuit manufacturing industry. Similarly, SAFPL has a diversified supplier base, due to which the concentration risk is mitigated to a certain extent. During FY25, the company started procurement from ITC Limited through short term procurement and supply agreements resulted in higher procurements from it.

Experienced promoters with long track record of operations
The directors, Mr Sanjay Sancheti, Mr Akshay Sancheti and Mr. Anand Sancheti have more than two decades of experience in the agriculture trading and processing industry. The directors are also associated with group entity viz. Sanjay Sales Corporation (SSC), engaged in wholesale trading of grocery items including Grains, Rawa, Maida, Rice and Pulses. Over the years of existence in the industry, the directors have established wide network for the purchase and supply of material across Maharashtra, Gujarat, Madhya Pradesh, Karnataka, Tamil Nadu, Punjab etc. SAFPL is likely to be benefited from its promoters' vast experience along with established marketing and distribution network.

Successful completion of Capex
The company has successfully completed its capex for enhancing its processing capacity from 300 MTPD to 600 MTPD planned during FY24. The total project cost of the same stood at Rs. 10.58 crore. The same has been funded through unsecured loans from the promoters and related parties and internal accruals. The company has already completed the installation of the machineries at the existing plant location. The production from the new facilities is expected to commence from February 2025 onwards. The company has already tied up with additional working capital limit of Rs.12.50 crore with bank to meet its additional working capital requirements. Nevertheless, company's ability to scale up the operations by achieving optimum utilization of enhanced capacities remains key monitorable.

Liquidity: Stretched
The liquidity position of SAFPL remained stretched marked by tightly matched accruals to repayment obligations, highly utilized bank limits and free cash & bank balance of Rs. 0.44 crore as on March 31, 2024. The average of maximum utilization of the fund based working capital limit stood at 96.60% during past 12 months ended December 2024. The cash flow from operations stood negative at Rs.0.90 crore (PY: positive Rs.6.10 crore) due to increase in inventories and receivables. The company's GCA is expected to be tightly matched in FY24 as against the repayment of Rs.3.86 crores for FY25 and Rs. 6.72 crore for FY26. Further, the current ratio and quick ratio stood at 2.13 times and 1.12 times respectively as on March 31,2024 (vis-à-vis current ratio and quick ratio of 2.06 times and 1.24 times respectively as on March 31, 2023).

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

About the company and industry

Industry classification

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

Incorporated in the year 2009, Sanjayuttam Agro Foods Private Limited (SAFPL) is engaged in wheat processing. SAFPL is promoted by Mr Sanjay Sancheti, Mr. Akshay Sancheti and Mrs Anand Sancheti. The commercial operations of SAFPL started from March 23, 2015. Its plant located at Aurangabad, Maharashtra with total processing capacity of 600 metric tonnes (MT) per day (increased from 300 MT per day). The company procures it raw material from open markets of Aurangabad, Jalna and other parts of Maharashtra and Madhya Pradesh. The product profile of SAFPL includes Maida, Suzi, Rawa, Bran and other by-products.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	290.23	288.41	226.78
PBILDT	6.84	8.18	NA
PAT	1.39	1.65	NA
Overall gearing (times)	3.25	2.03	NA
Interest coverage (times)	1.65	1.69	NA

A: Audited UA: Unaudited 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 (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		-	-	-	32.50	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	June 2028	11.46	CARE BB; Stable
Fund-based - LT-Working capital Term Loan		-	-	March 2028	7.50	CARE BB; Stable

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-Working capital Term Loan	LT	7.50	CARE BB; Stable	1)CARE BB-; Stable (05-Apr-24)	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (20-Jan-23)	1)CARE C; Stable; ISSUER NOT COOPERATING* (10-Nov-21)
2	Fund-based - LT-Cash Credit	LT	32.50	CARE BB; Stable	1)CARE BB-; Stable (05-Apr-24)	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (20-Jan-23)	1)CARE C; Stable; ISSUER NOT COOPERATING* (10-Nov-21)
3	Fund-based - LT-Term Loan	LT	11.46	CARE BB; Stable	1)CARE BB-; Stable (05-Apr-24)	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (20-Jan-23)	1)CARE C; Stable; ISSUER NOT COOPERATING* (10-Nov-21)

*Issuer did not cooperate; based on best available information.
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 - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	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 for clarifications.

Contact us

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About us:

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