

## Gujarat Ambuja Exports Limited

January 16, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	100.00	CARE AA-; Stable	Assigned
Long-term bank facilities	100.00	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating assigned to bank facilities of Gujarat Ambuja Exports Limited (GAEL) continues to derive strength from its long operational track record, promoters' vast experience in agro processing businesses, its leading market position in the domestic maize processing industry, diversified revenue profile supported by a wide product portfolio, strategic location of its plants, and reputed clientele across end-user industries. Rating also factors GAEL's strong financial risk profile marked by low leverage, comfortable debt coverage indicators, and strong liquidity.

However, GAEL's ratings is tempered by vulnerability of its operating (profit before interest, lease rentals, depreciation, and taxation [PBILDT]) margins to volatility in agro-commodity prices and foreign exchange rates. Rating is also constrained by weak performance of some of its operating segments in the last two years ended FY24 (refers to April 01 to March 31). CARE Ratings Limited (CARE Ratings) also takes cognisance of inherent risk associated with GAEL's large-sized capex plans. However, the company plans to fund entire capex through internal accruals, which mitigates the risk to a large extent.

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

#### Positive factors

- Significantly growing scale of operations with sustained improvement in PBILDT margin of over 10% backed by increasing share of value-added products.

#### Negative factors

- Declining PBILDT margin to below 7% on a sustained basis.
- Large-size debt-funded capex or elongating working capital cycle leading to overall gearing of over 0.5x and net debt/PBILDT of over 1x.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that GAEL shall maintain its strong operational performance backed by an established track record and leading market position in the domestic maize processing industry. Stable outlook also reflects sustenance of its healthy cash accruals, debt coverage indicators, and capital structure.

### Detailed description of key rating drivers:

#### Key strengths

##### Long operational track record and leading market position in the domestic maize processing industry

Manish Gupta, MD, looks after GAEL's overall management and strategic activities. The company also benefits from guidance of eminent personalities on its Board as they have rich experience across diverse industries.

GAEL is an established agro processor with a track record of over 30 years, and it has long-standing relationship with suppliers, farmers, customers, and other stake holders. The company primarily operates under four divisions: maize processing, other agro processing (mainly soya), cotton yarn, and renewable energy. The maize processing division is GAEL's core due to its higher and relatively stable margin profile and better growth potential considering its increasing demand for starch and its derivatives. GAEL's maize processing division's revenue grew by compound annual growth rate (CAGR) of 20% in the last three years ended FY24. Share of maize processing in GAEL's total revenue increased to 70% in FY24 compared to 42% in FY21. GAEL possesses highest maize processing capacity of 4,000 metric tonne per day (MTPD, TPD) in India.

##### Diversified revenue stream and strategic location of plants

The company's product portfolio includes corn starch and further downstream value-added derivatives such as liquid glucose, dextrose monohydrate, dextrose anhydrous and sorbitol, refined edible oils (mainly soybean oil), de-oiled cake (DOC), vanaspati ghee, and cotton yarn. GAEL's revenue is also geographically diversified with exports contributing ~35% of total operating income (TOI) in FY24 (FY23: 31%). GAEL mainly exports to south-east Asian countries, including Korea and Bangladesh.

<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.

GAEL has 12 manufacturing facilities at nine locations across Gujarat (two), Madhya Pradesh (two), Maharashtra (two), Uttarakhand (one), Karnataka (one) and West Bengal (one). These strategic locations offer advantages to GAEL in terms of easy availability of raw materials and savings in logistic costs considering proximity of its plants to regions, which are major cultivators of its agro inputs.

**Diversified clientele across end-user industries**

Stringent end-customer approvals for manufacturing set-up and products act as entry barriers for players in maize processing segment. GAEL has been supplying its products to reputed customers in the end-user industries such as food and food products, fast-moving consumer goods (FMCG), animal feed, paper, textile, pharmaceuticals, and chemical among others. The diversification across industries and clients mitigates the risk associated with cyclicity in respective industries. The customer profile is also diversified marked by top 10 customers of GAEL's maize division accounted for 27% of its total income of maize division in FY24.

**Healthy scale of operations and profitability**

GAEL's TOI grew by CAGR of 6.5% in the last four years ended FY24 and stood at ₹4,927 crore for FY24 driven by higher sales volumes in its maize processing division. CARE Ratings expects GAEL's revenue to grow at 8%-9% per annum in near-to-medium term. Capacity addition in its maize processing division is expected to drive the growth in sales volume and TOI. GAEL's PBILDT margin declined to ~9% in FY24 from the exceptional level of PBILDT at ~15% in FY22. CARE Ratings expects GAEL's PBILDT margin to remain in the range of 9%-10% in the near-to-medium term. Higher contribution from the value-added products and higher share of maize processing segment's revenue in TOI is expected to aid PBILDT margin.

In H1FY25, GAEL's TOI remained largely stable on y-o-y basis while its PBILDT margin improved by 71 bps backed by turnaround in performance of its agro processing division.

**Low leverage and comfortable debt coverage indicators**

GAEL has a strong capital structure marked by an overall gearing ratio which stood at 0.07x as on March 31, 2024, due to minimum reliance on external borrowing and a healthy capital base of ₹2,768 crore as on even date. CARE Ratings expects GAEL's overall gearing ratio to remain low as the entire capex planned by GAEL is expected to be funded through internal accruals.

GAEL has comfortable debt coverage indicators marked by interest coverage of 24x and total debt/PBILDT of 0.45x. CARE Ratings expects debt coverage indicators to remain comfortable in the medium term due to stable profitability margin and continued low reliance on external debt.

**Stable industry outlook**

Maize is the major raw material used to produce starches and its other value-added derivatives. The major users of starches and other and derivatives are food, textile, paper and packaging, paints, aluminium, and pharmaceutical sectors. All these industries have a stable outlook with demand growing steadily. The industry witnessed capacity addition in the last 2-3 years by major players and some of the new capacity would become operational in the next one to two years. Additional capacities are likely to be absorbed in the medium term, considering steady increase in demand of corn starch and its derivatives from end-user industries.

The demand for edible oil is expected to increase in India, with the growing population. Income and population growth are the important indicators that contribute to rising consumption. The edible oil industry is highly competitive with presence of large national players and multiple regional players. Being part of a highly fragmented industry, GAEL faced intense pricing competition and could not fully pass on price increases to its customers in case of sharp movement in the raw material price in short duration, constraining its profitability.

**Liquidity: Strong**

GAEL's liquidity remains strong marked by healthy cash-flow from operations, availability of large un-utilised fund-based working capital limits, and healthy unencumbered liquid investments. GAEL reported cashflow from operations of ~₹213 crore in FY24. Of the total sanctioned secured, unsecured, fund-based and non-fund-based working capital limits of ₹1,149 crore, the utilisation remained low at ~26% for 12-months ended November 2024. The company's term debt repayment liability is negligible. GAEL is in the process of executing large-sized capex for expanding capacities of its maize processing division. The projected cash accruals are expected to be adequate to meet the planned capex for FY25-FY27. The liquidity is also supported by unencumbered liquid investment of ~₹820 crore as on March 31, 2024.

## Key weaknesses

### Inherent risk associated with large-sized expansion project

GAEL is expanding its maize processing capacity by 2,000 TPD in the next two years (enhancing its maize processing capacity by 50%), which will help it maintaining its leadership position in the segment. Apart from this, GAEL is also expanding capacities of value-added products and adding ethanol manufacturing capacity at three different locations, which are expected to be commissioned in the next two years. The envisaged capex is ~₹900 crore in next 2-3 years, which is expected to be funded entirely from internal accruals. Cost overrun or delay in commissioning or ramp-up of additional capacities might weaken its return indicators.

In November 2024, the company received Environmental Clearance (EC) from the Ministry of Environment, Forest and Climate Change of India, for setting up a 180 Kilo Liter Per Day (KLPD) greenfield grain-based extra neutral alcohol and ethanol plant at Malda, West Bengal. The plant will be setup adjacent to its existing maize processing unit and will focus on manufacturing alcohol to cater to food and pharma industries. The plant is subject to approvals from the State Pollution Control Board.

### Vulnerability of operating margin to volatility in agro-based raw material prices and foreign exchange rate fluctuations

Maize seed, soya seed, and raw cotton are the key raw materials used by GAEL for its three divisions. GAEL's operations are vulnerable to the inherent risks associated with agri-based inputs prices. Raw material prices are linked to agricultural output, which are exposed to factors such as vagaries of the monsoon, acreage, yield level, and global demand-supply mismatches. Agri commodities prices are also controlled by the Government through setting of minimum support price (MSP). MSP of all types of agri-commodities consumed by GAEL have shown a continuous upward trend in the past.

GAEL's leadership position in maize processing industry, geographically diverse manufacturing locations, presence of clauses to pass on the volatility in input cost to its customers mainly in starch derivative segment (though with some lag) and its financial flexibility helps the company to mitigate the agro commodity-related risk to an extent.

### Continued weak performance of its agro processing and cotton spinning division

Profitability margins of agro processing (mainly soya dibble oil and DOC) and cotton spinning division have inherently remained thin and low and volatile for two years ended FY24. These divisions account for ~22% of total capital employed. However, their combined PBILDT was 6% of total PBILDT in FY23, while they reported operating losses in FY24. Performance of the cotton division is expected to remain weak, and the company is not planning investment for this division. The performance of agro processing division is expected to remain volatile per the industry scenario, though it is expected to remain weaker than maize processing division.

## Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
<b>Environmental</b>	<ul style="list-style-type: none"> <li>GAEL has consistently made active efforts towards optimising our energy consumption and efficiently managing production waste.</li> <li>GAEL has continuously striven to use renewable energy resources, power-saving equipment, and constantly focusing on plantation drives.</li> <li>GAEL has continued to increase the use of biogas engines, biomass-based boilers, and other energy-saving equipment.</li> <li>At GAEL, all waste generated is either put to alternate use or sold to authorised agencies. GAEL generates solid waste such as ETP sludge, spent earth, soya danthal, mitti from soya seed, and coal ash from boiler. It sells the ETP sludge generated from ETP to authorised agencies. GAEL's recyclable solid waste is also used in agricultural land as fertilizers. GAEL sells spent earth and coal ash for bricks manufacturing. It also uses soya danthal as boiler fuel to reduce carbon emission.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>GAEL tries to source raw materials directly from the farmers with a viewpoint of empowering them.</li> <li>The premises and offices are accessible to differently abled employees and workers, although there is no such worker at present under GAEL's employment. The company is committed to being an equal opportunity employer and ensures an inclusive workplace for all. An Equal Opportunity Policy is being formulated.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>GAEL has an adequate governance structure. Four out of seven directors on the board are independent directors including two women directors on the board.</li> </ul>

## 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	Food products	Other food products

Incorporated in August 1991, GAEL was promoted by the late Vijay Kumar Gupta and his family. GAEL is an Ahmedabad-based diversified agro processor, mainly engaged in four segments: (i) maize processing through corn wet milling for manufacturing unmodified starch and other downstream value-added derivatives; (ii) agro processing for solvent extraction and oil refining (mainly soyabean); (iii) cotton yarn manufacturing; and (iv) renewable power generation. GAEL has manufacturing facilities at nine different locations spread across Gujarat (two), Madhya Pradesh (two), Maharashtra (two), Uttarakhand (one), Karnataka (one), and West Bengal (one). As on March 31, 2024, GAEL had maize processing capacity of 4,000 MTPD, seed crushing capacity of 4,500 MTPD, refining capacity of 1,200 MTPD, and cotton spinning capacity of 65,000 spindles.

Brief Financials (₹ crore) – Standalone	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	4,909	4,927	2,215
PBILDT	476	443	216
PAT	330	346	146
Overall gearing (times)	0.09	0.07	NA
Interest coverage (times)	35.90	24.11	28.21

A: Audited; UA: Un-audited; 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-EPC/PSC	-	-	-	-	100.00	CARE AA-; Stable
Fund-based - LT-Working Capital Demand loan	-	-	-	-	100.00	CARE AA-; 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-EPC/PSC	LT	100.00	CARE AA-; Stable	1)CARE AA-; Stable (19-Jul-24)	-	-	-
2	Fund-based - LT-Working Capital Demand loan	LT	100.00	CARE AA-; Stable	-	-	-	-

LT: Long 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-EPC/PSC	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please <a href="#">click here</a>
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**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:

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.

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