The Kutch Salt And Allied Industries Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	91.50 (Enhanced from 19.49)	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	45.00	CARE BBB+; Stable / CARE A2	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure -1

Rationale and key rating drivers

The ratings assigned to bank facilities of The Kutch Salt And Allied Industries Limited (TKSAIL) continue to derive strength from its experienced promoters, with the company being a part of the 'Friends Group', having established track record of more than three decades in managing diversified businesses, location advantage of TKSAIL from operating at the Deendayal Port, and long-term lease of land used for salt production. The Ratings also factor in healthy profitability in FY24 (FY refers to April 01 to March 31) as well as in 9MFY25, comfortable capital structure as well as debt coverage indicators, and adequate liquidity.

The ratings however, continue to remain constrained due to significant moderation in scale of operations in 9MFY25 coupled with moderate customer concentration, propensity of the company to support other group entities, profitability susceptible to climatic conditions as well as foreign exchange rate volatility, and its presence in a fragmented and competitive salt industry. The ratings also factor in on-going solar power plant capex at group level.

The long-term bank facility has been withdrawn based on no due certificate from the lender that had extended the said facility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume-based increase in scale of operations, while maintaining healthy profitability in the salt business on a sustained basis.
- Improvement in capital structure with adjusted overall gearing below 0.25x (based on net worth adjusted for loans and advances [L&A] given to related parties).

Negative factors

- Moderation in profitability leading to deterioration in debt coverage indicators.
- Deterioration in capital structure with adjusted overall gearing above 1x on a sustained basis.

Analytical approach: Standalone while factoring in linkage, being a part of 'Friends group' of Gandhidham, Gujarat.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity shall continue to benefit from stable demand of its products, established presence in salt exports, and synergies derived from operational linkages among Friends Group entities, which shall enable the company to sustain operational performance over the medium term.

Detailed description of key rating drivers

Key strengths

Experienced promoters with established track record of 'Friends group' across diversified business segments

Gandhidham-based (Gujarat) Friends Group is promoted and managed by the Singhvi family represented by Sukhraj Amarchand Singhvi, Babulal Amarchand Singhvi, Tribhuvan Amarchand Singhvi, and Ashok Amarchand Singhvi, having experience of over two decades in industry. The Friends group has a presence of more than three decades at Deendayal Port Trust (DPT) and is engaged across diversified business activities such as manufacturing & trading of salt, cargo handling & other port-related services, warehousing, auto dealerships, renewable power generation, manufacturing of castor oil as well as other agro products and trading of various commodities. The Friends group is one of the leading salt producers and exporters, has more than 10 lakh square feet of warehousing capacity, and cumulative renewable power generation capacity of more than 200 MW.

Location advantage and long-term lease of land for salt production

India is the third-largest producer of salt in the world. Top five salt-producing states in India are Gujarat, Tamil Nadu, Rajasthan, Maharashtra, and Andhra Pradesh. Of total production in India, Gujarat contributes around one-fourth of India's total salt production, largely considering its arid climate and large land availability. TKSAIL is near DPT, Kutch, which is one of the major

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

ports in Western India. Hence, TKSAIL's presence in the salt-producing region, and proximity to Kandla port results in benefit derived from lower logistic expenditure (on transportation and storage) and easy access to export customers.
The company was allotted 3,891 acres of salt pans on an annual lease payment of ₹14.25 crore and one-time security deposit of ₹28.50 crore from DPT in 2017 (for 25 years). Salt pans acquired by TKSAIL are on long-term lease, providing good revenue visibility. The salt division constituted ~98% of its total operating income (TOI) in FY24 (PY:99%).

Stable cash flow from renewable power segment

TKSAIL has set renewable energy-based power generation projects through windmills and solar power plants in the last few years, with an aim of diversifying revenue stream. TKSAIL had total installed capacity of 15.60 MW for wind-based power generation and 13.50 MW for Solar as on December 31, 2024. Windmills are at Rajasthan and Gujarat, whereas solar plant is in Gujarat. TKSAIL has signed long-term power purchase agreements (PPAs) with respective state utilities (Rajasthan and Gujarat) for sale of power for tenure up to 20 years. The total income earned from the renewable segment remained stable at ₹13.35 crore in FY24 (PY: ₹11.96 crore).

Moderation in scale of operations however sustained healthy profitability

TKSAIL's TOI reported 3.5x growth from ₹281 crore in FY22 to ₹1,003 crore in FY23 owing to significant increase in opportunity-based salt trading where the company purchased salt from reputed bromine manufacturing players in Kutch, Gujarat, undertook washing at own facility, and then exported it to long time trading partners as well as other parties. Subsequently, the said business was shifted to a newly formed joint venture (JV), which was formed with an entity which owns the said salt pans. Hence, going forward, the company's TOI is expected to reduce significantly due to transfer of salt trading business, though it is expected to remain higher than pre FY22 level owing to expected salt washing income from new JV, as it does not have salt washing facility. Consequently, operating margin is expected to increase on the back of envisaged increase in manufacturing/processing nature of revenue.
TKSAIL's TOI reduced to ₹860 crore in FY24 due to decrease in salt trading in Q4FY24, and subsequently, it reduced significantly to ₹305 crore in 9MFY25 [PY: ₹671 crore] with nil salt trade in the period.
With lower salt trading sales, PBILDT margin increased by 336 bps Y-o-Y to 21.91% in FY24. However, profit after tax (PAT) margin remained relatively stable at 12.23% in FY24 [PY: 13.20%] due to significant increase in depreciation and interest expense as the company has capitalised and treated its salt pan lease [to DPT] and right to use assets, i.e., trucks as finance lease during the year. In 9MFY25, operating margin increased significantly to 39.63% in tandem with discontinuation of trading activity and increase in washing revenue.
CARE Ratings expects TKSAIL to report total revenue of ₹400-500 crore with relatively stable gross cash accruals (GCA) [on the back of envisaged improvement in operating margin coupled with proportionate profit share from JV] in medium term.

Comfortable capital structure and debt coverage indicators

TKSAIL's overall gearing ratio deteriorated from 0.24x as on March 31, 2023 to 0.83x as on March 31, 2024, owing to significant increase in total debt as term loans increased significantly towards new truck purchase and reporting of finance lease of ₹200.67 crore [reclassification from operating lease]. The company purchased 128 trucks/dumpers in Q4FY24 and Q1FY25, which would be utilised for own use as well as shall be given to group companies and other parties on lease rental basis. In current year as well, overall gearing remained comfortable at 0.73x as on December 31, 2024.
Debt coverage indicators deteriorated in tandem with increased debt, and interest cost, though it remained comfortable as marked by interest coverage ratio of 7.54x [PY: 38.57x; 9MFY25: 16.96x] and total debt to GCA of 2.41x [PY: 0.58x] in FY24.

Key weaknesses

Moderate customer concentration

TKSAIL had a reputed-but-concentrated customer profile as ~50% (PY: ~41%) of its TOI was derived from its top two customers only. In FY24, customer concentration marked by top five customers contributed ~69% of its TOI (FY23: 65%; 9MFY25: 78%).

On-going solar capex at group level

Friends group periodically undertakes renewable energy (RE) capex for installation of wind mills and solar power plants in consideration of favourable tax treatment and stable cash flow from RE assets.
In FY25, the group is expanding its existing RE capacity in Gujarat by setting up 50.50-MW solar power plants in The Kutch Salt And Allied Industries Limited (rated 'CARE BBB+; Stable / CARE A2'; 21 MW), Friends Impex (rated 'CARE BBB; Stable / CARE A3+'; 14 MW), Kandla Agro & Chemicals Private Limited (rated 'CARE BBB-; Stable / CARE A3'; 6.75 MW), Terapanth Foods Limited (rated 'CARE BBB-; Stable / CARE A3'; 5 MW), and New Kandla Salt & Chemical Co. Private Limited (rated 'CARE BBB-; Stable / CARE A3'; 3.75 MW) with aggregate cost of ₹220 crore, which is proposed to be funded through term loans of ₹179.50 crore and balance through internal accruals and own funds. As on December 31, 2024, 22.50 MW of solar plants have already

been commissioned in the said entities and the balance is expected to be commissioned in FY26. The Group has also entered into long-term PPA (25 years) with Paschim Gujarat Vij Company Limited (PGVCL).
As the project is at advanced stage of completion, debt tie-up in place and with prior experience of the group in RE power generation, the overall project risk remains low.

Propensity to support group entities
With key salt business of Friends group in TKSAIL, it provides need-based support to group concerns. The company generates healthy cash accruals which are utilised to support other group entities in the form of unsecured loans.
As on March 31, 2024, loans and advances extended to related parties stood at ₹101 crore (₹110 crore as on December 31, 2024). Adjusted overall gearing (TNW adjusted for L&A and debt adjusted for liquid funds) remained comfortable at 0.64x as on March 31, 2024 [0.59x as on December 31, 2024]. Going forward, L&As given to group companies and its impact on the company's liquidity profile is key credit monitorable.

Profitability susceptible to climatic conditions and presence in a highly fragmented salt industry
The salt industry is highly fragmented, with numerous regional and unorganised players. The business is seasonal, highly depend on weather conditions, and remains exposed to natural calamities. The salt business was affected in the past due to natural calamities in the Kandla region and reduced export sale business. However, TKSAIL derives benefit from its strategic location in terms of suitability of land and its proximity to DPT.

Exposure to foreign exchange rate volatility
High export sales of TKSAIL exposes it to the risk of adverse movement in foreign exchange rates. In the absence of an active hedging policy, TKSAIL remains exposed to foreign exchange fluctuation risk.

Liquidity: Adequate
TKSAIL's liquidity was adequate marked by healthy CFO and cash accruals which are adequate to cover scheduled debt repayment obligations coupled with moderate utilisation of working capital limit.
The company had unencumbered cash and bank balance of ₹11 crore while margin money significantly increased to ₹135 crore as on March 31, 2024 [₹7 crore and ₹125 crore, respectively, as on December 31, 2024]. The company has placed FDs against newly sanctioned FDOD facility. As articulated by the management, the said limit was availed in order to meet any exigency at group level. CFO increased significantly to ₹206 crore in FY24 owing to significant decrease in receivables and inventory as on March 31, 2024.
The company registered healthy cash accruals of ₹148 crore in FY24 and expected to register cash accruals of ₹145-170 crore in FY25-FY27 period which shall be adequate to cover scheduled debt repayment obligations of ₹60-70 crore [including finance lease discharge obligations] in same period.
The average utilisation of fund-based working capital limit remained at ~69% [PY: ~71% p.a.] in last 12 months ended in December 2024. Operating cycle remained largely stable at 69 days in FY24 [PY: 59 days].

Applicable criteria:

- Definition of Default
- Factoring Linkages Parent Sub JV Group
- Liquidity Analysis of Non-financial sector entities
- Rating Outlook and Rating Watch
- Manufacturing Companies
- Financial Ratios – Non financial Sector
- Withdrawal Policy
- Short Term Instruments
- Wholesale Trading

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 1950 as a limited company, TKSAIL (CIN: L24238MH1950PLC008313) is a part of the Friends Group based in Gandhidham, Gujarat. TKSAIL is engaged in raw salt production, which it carries out on lease hold land of 3,891 acres at Kandla obtained from DPT. TKSAIL also has aggregate wind power generation capacity of 15.60 MW and solar power generation capacity of 13.50 MW as on December 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,002.92	859.60	304.65
PBILDT	186.12	188.37	120.72
PAT	132.34	105.17	74.28
Overall gearing (times)	0.24	0.83	0.73
Interest coverage (times)	38.57	7.54	16.96

A: Audited UA: Unaudited; 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 instruments / facility: Annexure-3

Complexity level of instruments rated: Annexure- 4

Lender details: Annexure-5

Annexure 1: Details of instrument/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-Term Loan	-	-	-	31/03/2038	91.50	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2025	0.00	Withdrawn
Fund-based - LT/ ST-EPC/PSC	-	-	-	-	45.00	CARE BBB+; Stable / CARE A2

Annexure 2: Rating history of 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-Bank Overdraft	LT	-	-	-	-	1)Withdrawn (07-Apr-22)	-
2	Fund-based - LT-Term Loan	LT	91.50	CARE BBB+; Stable	1)CARE BBB+; Stable (04-Apr-24)	-	1)CARE BBB+; Stable (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)	-
3	Fund-based - LT/ ST-EPC/PSC	LT/ST	45.00	CARE BBB+; Stable / CARE A2	1)CARE BBB+; Stable / CARE A2 (04-Apr-24)	-	1)CARE BBB+; Stable / CARE A2 (30-Mar-23) 2)CARE BBB; Stable / CARE A3+ (07-Apr-22)	-
4	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB+; Stable (04-Apr-24)	-	1)CARE BBB+; Stable (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)	-

LT: Long term; LT/ST: Long term/Short term

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

Annexure -4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	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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About us:
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