

## Sanstar Limited

April 07, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	95.00	CARE BBB+; Stable / CARE A2	Upgraded from CARE BBB; Stable / CARE A3+
Short-term bank facilities	18.75	CARE A2	Upgraded from CARE A3+

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Upgrade in ratings assigned to bank facilities of Sanstar Limited (SAL) derives strength from improved net worth base following an Initial Public Offer (IPO) in FY24 (FY refers to April 01 to March 31), which has improved capital structure and debt coverage indicators.

Ratings further derives strength from its experienced promoters, established track record in the maize starch industry, moderately diverse product portfolio having wide industry application and diversified clientele. Ratings also factor in its moderate scale of operations, which is expected to moderate marginally in FY25 and stable profitability and continues to remain at steady level showing improvement in FY24 and 9MFY25.

However, ratings continue to remain constrained considering project risk associated with large sized expansion project, profitability susceptible to volatile commodity prices and presence in the competitive agro-based industry with large size established players.

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

#### Positive factors

- Significantly increasing scale of operation with total operating income (TOI) of over ₹1400 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 8% on sustained basis.
- Successfully completing ongoing capex.

#### Negative factors

- Declining profitability with PBILDT margin below 6%, on a sustained basis.
- Total debt to PBILDT exceeding 4x on sustained basis
- Significantly delaying or cost overrun in planned capex, leading to moderating the capital structure.

### Analytical approach: Standalone

### Outlook: Stable

The "Stable" outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of SAL to sustain business in the medium term considering its established presence in maize starch industry, established procurement and distribution network and on-time completion of capex.

### Detailed description of key rating drivers:

#### Key strengths

##### Comfortable capital structure and debt coverage indicators

Steady growth in SAL's net worth base due to accretion of the profits in the last three years. This resulted in the company's comfortable capital structure. It is evident by stable total outside liabilities to total net worth (TOL/TNW) at 1.15x as on March 31, 2024, compared to 1.06x as on March 31, 2023. Overall gearing largely remained stable below unity at 0.87x as on March 31, 2024, against 0.74x as on March 31, 2023. Capital structure has further improved due to improvement in net worth base following fund infusion through IPO. The net worth base has improved to ₹618.08 crore as on December 31, 2024, against ₹217.51 crore as on March 31, 2024. Debt coverage indicators also remained comfortable but improved marked by total debt to gross cash accruals (TD/GCA) of 0.88x as on December 31, 2024, against 2.22x as on March 31, 2024, and interest coverage of 10.21x as on December 31, 2024, against 9.59x as on March 31, 2024. Improvement in coverage indicators, is due to steady

<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.

profitability, and reduction in total debt, where in working capital utilisation has remained on lower side, compared to FY24 levels. Going ahead, maintaining a comfortable capital structure and disciplined working capital management will remain key monitorable.

### **Moderate scale of operations with stable profitability**

SAL operates at a moderate scale in the maize processing industry, with TOI of ₹1,072.09 crore in FY24, compared to ₹1,208.03 crore in FY23. The decline was primarily due to lower maize prices, reduced sales realisation of maize starch, and a ~7.20% drop in starch sales volume. However, profitability remained stable, supported by improved realisation in the processed food segment and lower power and fuel costs following the commissioning of solar and biofuel plants, and a decline in coal prices.

In 9MFY25, TOI stood at ₹708.46 crore, down from ₹834.49 crore in 9MFY24, impacted by a 25-day maintenance shutdown of the 750 TPD Shirpur plant between August and September 2024. Despite this, PBILDT margins remained steady at 9.68%. Procurement of raw materials at lower prices toward the end of FY24 supported profitability. While profitability is expected to remain stable amidst increasing competition, the planned capacity expansion is likely to contribute to sustained revenue growth.

### **Diversified clientele and geographically spread revenue base**

SAL has a diversified customer base across multiple industries, reducing exposure to cyclicality in a particular sector. The contribution of top 10 customers to TOI stood at 23% in FY24, compared to 30% in FY23, and was 27.45% in 9MFY25. The company caters to industries such as textiles, paper, pharmaceuticals, food, adhesives, and animal nutrition, ensuring a balanced revenue stream.

SAL generates revenue from both domestic and export markets, with exports contributing 35.53% of total income in FY24 and 38.49% in 9MFY25. Increase in export contribution has been supported by higher international demand, with the Kutch plant primarily catering to exports due to its proximity to the port, while the Dhule plant focuses on domestic sales given its central location in India.

With ongoing capacity expansion and an evolving product mix, SAL aims to strengthen its position in domestic and international markets, aligning with changing industry requirements and market dynamics.

### **Established track record of operations with moderately diverse product portfolio having wide industry applications**

SAL has an operational track record of nearly two decades in the maize starch industry. Initially engaged in trading tapioca starch, the company later ventured into manufacturing maize-based starch and its derivatives. It operates from two plants: one in Dhule, Maharashtra, with an annual capacity of 247,500 metric tons, and another in Kutch, Gujarat, with a capacity of 115,500 metric tons, totalling 1,100 tons per day. The company is currently undertaking a major expansion at its Shirpur facility, which will increase its total production capacity to 2,100 tons per day by July 2025.

The company's product portfolio remains moderately diversified, with starch products contributing 60-65% of TOI, processed food ingredients such as liquid glucose, maltodextrin, and dextrose monohydrate accounting for 5-8%, and the remaining revenue generated from byproducts such as gluten and germ. With the planned capacity expansion, SAL is also enhancing its focus on higher-margin value-added products such as modified starches and specialty derivatives used in industries like pharmaceuticals, adhesives, textiles, and paper.

SAL benefits from an established maize procurement network across India and the strategic location of its Shirpur, Dhule plant, situated in a key maize-producing region of Maharashtra, ensuring stable raw material availability. Capacity utilisation remained stable in FY24 compared to FY23, and with the upcoming capacity expansion, the company is positioned to cater to growing demand across multiple industries while strengthening its market presence.

With the upcoming capacity expansion and a growing focus on value-added products, SAL is expected to enhance its market reach across multiple industries. The company's ability to scale operations efficiently, optimize product mix, and navigate raw material dynamics will be key in sustaining growth and maintaining profitability in an evolving industry landscape.

### **Experienced promoters**

SAL continues to be led by the Chowdhary family, with Gautam Chowdhary, Managing Director, bringing over three decades of industry experience. His sons, Sambhav Chaudhary and Shreyans Chaudhary, actively oversee critical business functions—Sambhav managing plant operations and overall company functions, while Shreyans handles finance and marketing. The promoters are supported by an experienced and professional management team, ensuring operational efficiency and strategic direction. With the company's ongoing expansion and increasing industry competition, their leadership remains key in driving sustainable growth and adaptability.

### **Key weaknesses**

#### **Profitability susceptible to volatile raw material price**

SAL uses maize as the key raw material, which accounted for ~75-80% of total cost of sales for the last 3-4 years. Maize being an agriculture input; SAL's operations are vulnerable to inherent risks associated with Agri-based inputs prices. Although the prices of Agri commodities remained fluctuating over the years, it exhibited an increasing trend mainly due to heavy domestic and export demand. Raw material prices are linked to agricultural output, which is exposed to factors such as vagaries of monsoon, acreage, crop yield level, and global demand-supply mismatches. Average raw material procurement price decreased by ~8% in FY24 (from average maize prices of ₹22.43 per kg in FY23 to ₹20.63 per kg in FY24) also assisting PBILDT margins to improve FY24. However, prices have increased in current year 9MFY25, with average price per KG increasing to ₹21.97 from ₹20.63 which has impacted profitability evident from decline in PBILDT margin from 10.30% in 9MFY24 to 9.68% in 9MFY25. Going forth, SAL's ability to optimise procurement strategies, maintain cost efficiencies, and leverage its expanding production capacity is expected to partially mitigate the impact of raw material price fluctuations.

### Execution and market risks associated with large-scale capex

SAL is undertaking a capacity expansion project to increase its production from 1,100 TPD to 2,100 TPD, with completion targeted for July 2025 at an estimated cost of ₹201.55 crore. Prior to its IPO, the company had got a term loan sanctioned of ₹150 crore for this expansion, of which only ₹12.46 crore was disbursed. Additionally, ₹7.53 crore was funded through internal accruals, bringing the total pre-IPO expenditure to ₹19.96 crore. The remaining ₹181.55 crore is being funded through IPO proceeds, eliminating the need for further term loan drawdowns.

The expansion is being carried out within the existing Shirpur facility. As of December 31, 2024, ₹53.06 crore has been incurred on the project. Given its early-stage implementation and the significant project size, there are inherent risks related to execution timelines and cost management. The highly competitive nature of the maize processing industry, and ongoing capacity additions by other major players, presents a market absorption risk for the additional production capacity.

### Competitive industry scenario and planned capacity addition of major players

The maize processing industry remains competitive, with the presence of large and medium-sized players. Key industry participants include Roquette India Private Limited, Gujarat Ambuja Exports Limited, and The Sukhjit Starch and Chemicals Limited, alongside medium-sized players such as Gulshan Polyols Limited, Bluecraft Agro Private Limited, SAL, Sayaji Industries Limited, and Sahyadri Starch & Industries Private Limited. Several unorganised players contribute to the competitive landscape. Given the commoditised nature of maize-based products, pricing flexibility and bargaining power with customers remain limited. Larger industry players benefit from a diversified product portfolio with a focus on value-added maize derivatives, enabling them to maintain a stronger market position. The industry is also set to witness notable capacity expansions by major players in the next 1-2 years, which may intensify competition and impact market dynamics.

### Liquidity: Adequate

SAL's liquidity remains adequate, marked by moderate current ratio, healthy cash flow from operations (CFO), moderate working capital limit utilisation and healthy GCA levels against its moderate debt repayment obligations. The company has achieved ₹48.45 crore of GCA in 9MFY25 against a debt repayment obligation of ₹17.30 crore for FY25. Cash and liquid investments as on March 31, 2024, stood at ₹3.16 crore. Cash credit (CC) utilisation for 12-months ending February 28, 2025, was at moderate level with average utilisation above 29%. The current ratio stood improved although moderated at 1.41x as on March 31, 2024, against 1.38x as on March 31, 2023. CFO remained positive for the last five years and stood at ₹22.87 crore for FY24.

### 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 company and industry

#### Industry classification

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

SAL is a publicly listed company (BSE and NSE) incorporated in February 1982 and headquartered in Ahmedabad, Gujarat. The company specialises in manufacturing maize-based products and derivatives, including maize starch, dextrin, modified starches, liquid glucose, high maltose maize syrup, maltodextrin, dextrose monohydrate, gluten, germ, and bran, catering to industries such as textiles, paper, pharmaceuticals, food, adhesives, and animal nutrition.

SAL operates manufacturing facilities in Gujarat and Maharashtra with a combined production capacity of 1,100 TPD. The company is undertaking a 1,000 TPD expansion project, with 650 TPD expected to be completed by Q2FY26, while the remaining capacity will be operational later in the year. The company also has a subsidiary, Expressions Commercial LLP, which has not yet commenced operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1208.03	1072.09	708.46
PBILDT	75.41	102.96	68.59
PAT	41.81	66.77	38.28
Overall gearing (times)	0.74	0.87	0.07
Interest coverage (times)	7.69	9.59	10.21

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 instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of facilities

Name of the Facility	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/ ST-Working Capital Limits		-	-	-	95.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Bank Guarantee		-	-	-	7.50	CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	11.25	CARE A2

#### 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	Non-fund-based - ST-Forward Contract	ST	11.25	CARE A2	1)CARE A3+ (07-Jun-24)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (26-Mar-24)	1)CARE BBB; Stable / CARE A3+ (16-Feb-23)	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	95.00	CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (07-Jun-24)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (26-Mar-24)	1)CARE BBB; Stable / CARE A3+ (16-Feb-23)	-
3	Non-fund-based - ST-Bank Guarantee	ST	7.50	CARE A2	1)CARE A3+ (07-Jun-24)	-	-	-

\*Issuer did not cooperate; based on best available information.

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

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Forward Contract	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](mailto:care@careedge.in) for clarifications.

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### About us:

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