March 11, 2025

Sahyadri Starch & Industries Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Cash credit	24.00	24.00	[ICRA]BBB+(Stable); reaffirmed
Long-term / Short-term – Interchangeable^	(4.00)	(4.00)	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed
Long-term / Short-term – Unallocated limits	4.62	4.62	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed
Total	**28.62**	**28.62**	

**Instrument details are provided in Annexure I; ^sublimit of cash credit*

Rationale

The rating reaffirmation for Sahyadri Starch & Industries Private Limited (SSIPL) favourably factors in the company's revenue growth in FY2024 and 9M FY2025, driven by satisfactory demand for corn starch and its derivatives. The company's earnings have moderated in FY2024 primarily due to a drop in realisation of all its product categories. Despite an increase in maize prices in H1 FY2025 on a YoY basis, ICRA expects the operating margin in FY2025 to remain at a level similar to that of FY2024 due to softening of maize price and remunerative realisations, primarily in H2 FY2025. Over the medium term, favourable demand prospects for corn starch and its derivatives, expectations of healthy volume growth from planned capacity additions, along with cost savings from expansion in the captive power plant are likely to make SSIPL's future earnings more attractive. The company is in the process of enhancing its production capacity to 600 tonnes per day (TPD) from 500 TPD, which is expected to be commissioned by April 2025. SSIPL also plans to incur a capex of ~Rs. 50.0 crore in the near term for enhancing its production capacity further to 900 TPD along with installing a turbine of 6.5 MW. The same is likely to be funded through a mix of internal accruals and term debt. However, ICRA expects that SSIPL's leverage, and coverage indicators will continue to remain comfortable over the near-to-medium term, despite some likely moderation. The ratings also take comfort from the experience of the promoters and the company's established track record of more than four decades in manufacturing starch and its derivatives, which helped create a strong customer base. The company's customer profile is well-diversified with its top 10 customers contributing 32% and 39% to the total sales in FY2024 and 9M FY2025, respectively. The company's product profile consists of several downstream derivatives of starch that find applications in various industries such as textile, processed foods and pharmaceuticals among others, which partly safeguard SSIPL's business from sector-specific slowdown. The ratings also consider the logistical advantages arising from SSIPL's location, which is in proximity to maize-cultivating regions.

The ratings, however, remain constrained by the vulnerability of SSIPL's margins to fluctuations in maize prices and finished products. In FY2024, SSIPL's margins moderated to ~5.1% due to drop in realisations. Like any other players in this industry, SSIPL's margins remain exposed to the risks inherent in the agro-based industry, such as uncertainties in raw material availability and price fluctuations due to seasonal variations in crop harvest. The ratings are further constrained by the competition from established players as well as smaller manufacturers, resulting in a low bargaining power.

The Stable outlook on the long-term rating indicates favourable operating environment for domestic starch manufacturers, and ICRA's expectations that SSIPL will continue to maintain comfortable liquidity and credit metrics due to its cost-efficient operations and calibrated growth plans.

Key rating drivers and their description

Credit strengths

Established track record of manufacturing starch and its derivatives for more than four decades safeguard SSIPL's business from sector-specific slowdown – The experienced management has aided SSIPL towards the expansion of its customer base over the years. SSIPL has an established track record of manufacturing maize starch, liquid glucose and other maize derivatives such as high maltose corn syrups, maltodextrin and chemical starch, among others. Liquid glucose and maize starch remain SSIPL's key products, accounting for ~71% of its sales in FY2024 and 9M FY2025. Maize starch finds application in textile, paper and adhesive food industries, while liquid glucose is mainly used in confectionaries, pharmaceutical and leather industries. Value-added products such as maltodextrin are used as a flavouring and bodying agents in the food and nutraceutical industries. In addition, byproducts like maize bran are used as cattle feed, while maize germ is used to extract maize oil which finds use in cosmetic, paint and rubber industries. Its diversified end-user sectors partly safeguard SSIPL's business from sector-specific slowdown.

Reputed and diversified clientele mitigates counterparty credit risks and present growth opportunities – SSIPL's customer profile is characterised by reputed players from diversified industries like confectionery, packaged food and FMCG, among others, which partly mitigates the counterparty risks as well as risks associated with a sharp earnings volatility arising from lower demand from any particular sector. The client profile is diversified, with the top 10 customers contributing ~39% to the total sales in 9M FY2025. The company caters to reputed customers such as Perfetti Vanmelle Groupe, Piramal Pharma Ltd., Procter & Gamble Health Ltd., JNTL Consumer Health (Johnson & Johnson), among other players. SSIPL is expected to get new business opportunities with the steadily expanding market presence of the said established customers.

Strategically located in proximity to maize cultivating regions, leading to cost savings – Maize is the primary raw material required by the company. SSIPL procures maize from various traders, suppliers and agricultural product market committees (APMCs) in the domestic market. Its manufacturing unit is located at Sangli in Maharashtra, which is in proximity to India's key maize cultivating regions, including Karnataka, ensuring an uninterrupted supply of raw materials and savings in inbound freight costs.

Comfortable financial risk profile, characterised by a conservative structure and adequate debt coverage metrics – SSIPL's financial profile remains comfortable with a gearing of 0.3 times and an interest coverage and TD/ OPBDITA of 9.4 times and 1.0 times as on March 31, 2024. Though the same are likely to moderate to some extent in FY2025, with an increase in debt level, it would still remain at a comfortable level. The company's operating margins fell to 5.1% in FY2024 from 9.8% in FY2023 owing to a drop in realisations. Despite an increase in the maize prices in H1 FY2025 on a YoY basis, ICRA expects the operating margin in FY2025 to remain at a level similar to that of FY2024 due to softening of maize price and remunerative realisations, primarily in H2 FY2025. The company is underway with the enhancement of its processing capacity from 500 TPD as on date to 600 TPD which is likely to be commissioned by April 2025 and further to 900 TPD, along with an increase in the power plant capacity, over the next year, which will be funded through a mix of internal accruals and term debt. Though this would lead to an increase in the overall debt level and interest cost, the coverage indicators would still remain comfortable in FY2026 with an expected interest cover above 5.0 times. ICRA also expects the operating margin to move up gradually, post successful commissioning of the projects and ramp up of operations.

Credit challenges

Risks inherent to agro-based industry – SSIPL's margins remain vulnerable to the risks inherent in the agro-based industry, such as raw material availability and crop harvest. The company remains largely dependent on maize as it is the key raw material. As a result, any disruption in the availability of maize or any adverse fluctuation in maize prices exposes the company to volatile profit margins.

Competition from other established players as well as other small manufacturers – The company operates in an intensely competitive industry, characterised by the presence of many established players and other small-scale manufacturers, distributors and traders. Stiff competition constrains its profit margins.

Low bargaining power with larger customers – Many of SSIPL's customers are large consumer-facing companies and are significantly bigger than SSIPL. This, along with stiff competition from other established players limits its pricing flexibility and bargaining power with customers. SSIPL ventures into volume contracts with most of its clients. The tenure of these contracts varies from one month to one year. Perfetti Vanmelle India Pvt. Ltd. has remained SSIPL's major customer with sales to Perfetti accounting for ~10% and ~12% of the company's total revenues in FY2024 and 9M FY2025. SSIPL enters into a rate contract with Perfetti, wherein prices remain fixed for three months, putting pressure on the profit margins in case of rising input costs during this period.

Liquidity position: Adequate

Adequate fund flow from operations and moderate working capital requirements resulted in positive retained cash flow for SSIPL since FY2018. The average utilisation of cash credit facilities in FY2024 stood at 12% of the sanctioned limits. While it increased to 31% in 9M FY2025, adequate liquidity buffer remains. Besides, the company maintained an unencumbered cash balance of ~Rs. 3.6 crore as on November 30, 2024, which further supports its liquidity position.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company exhibits a significant growth in the top line and operating profitability on a sustained basis, improving its debt coverage metrics.

Negative factors – The ratings could be downgraded if the company records a considerable decline in its revenues and profit margins on a sustained basis. Specific credit metrics, which could lead to a downward rating action, include an interest coverage below 4.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone financial statement of the issuer

About the company

Sahyadri Starch and Industries Private Limited manufactures maize starch, liquid glucose and derivatives from maize. SSIPL was established in 1982. It is promoted by the Majithia and the Thakkar families, who are related. The company's manufacturing facility at Sangli has a total installed annual production capacity of 1,50,000 metric tonnes of starch and its derivatives. The products manufactured by the company find applications across various industries such as confectionary, packaged food, FMCG etc.
SSIPL is a part of the Hermes Group owing to the Thakkar's family's stake in SSIPL. The Group has various business interests in real estate, travel and cargo, exports, healthcare, restaurants and lifestyle retail etc.

Key financial indicators (audited)

Sahyadri Starch & Industries Private Limited	FY2023	FY2024
Operating income	442.8	481.8
PAT	26.4	11.6
OPBDIT/OI	9.8%	5.1%
PAT/OI	6.0%	2.4%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	0.6	1.0
Interest coverage (times)	13.1	9.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Mar 11, 2025	Dec 7, 2023	Nov 28, 2022	Aug 05, 2021
1	Long-term – Fund based – Cash credit	Long-term	24.00	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)	[ICRA]BBB(Stable)	[ICRA]BBB-(Stable)
2	Long-term / Short-term – Interchangeable ^	Long-term/ Short-term	(4.00)	[ICRA]BBB+(Stable) / [ICRA]A2	[ICRA]BBB+(Stable) / [ICRA]A2	[ICRA]BBB(Stable) / [ICRA]A3+	[ICRA]BBB-(Stable) / [ICRA]A3
3	Long-term / Short-term – Unallocated limits	Long-term/ Short-term	4.62	[ICRA]BBB+(Stable) / [ICRA]A2	[ICRA]BBB+(Stable) / [ICRA]A2	[ICRA]BBB(Stable) / [ICRA]A3+	[ICRA]BBB-(Stable) / [ICRA]A3

^ sublimit of cash credit

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term / Short-term – Interchangeable ^	Very simple
Long-term / Short-term – Unallocated limits	Not applicable

^sublimit of cash credit

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term – Fund based – Cash credit**	NA	NA	NA	24.00	[ICRA]BBB+ (Stable)
NA	**Long-term / Short-term – Interchangeable ^**	NA	NA	NA	(4.00)	[ICRA]BBB+ (Stable) / [ICRA]A2
NA	**Long-term / Short-term – Unallocated limits**	NA	NA	NA	4.62	[ICRA]BBB+ (Stable) / [ICRA]A2

Source: Company; ^ sublimit of cash credit

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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