

### Bhanu Farms Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	10.55	SMERA B-/Stable (Reaffirmed)
Term Loan (Proposed)	3.19	SMERA B-/Stable (Assigned)
Cash Credit	11.50	SMERA B-/Stable (Reaffirmed)
Cash Credit (Proposed)	1.81	SMERA B-/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4(Reaffirmed)
Forward Contract	0.05	SMERA A4(Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.27.10 crore bank facilities and assigned rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs.5.00 crore facilities of Bhanu Farms Limited (BFL). The outlook is '**Stable**'. The ratings continue to be constrained by the stretched working capital cycle and moderate scale of operations. The ratings also factor in the negative profit margin and weak financial risk profile. However, the ratings continue to draw comfort from the extensive experience of the promoters in the warehousing and packaged food industry.

#### Update

BFL provides cold storage facilities on rental basis to farmers. The company reported marginally higher revenue of Rs.21.62 crore in FY2016 compared to Rs.20.54 crore in FY2015. The operating losses deteriorated to 33.41 per cent in FY2016 compared to 1.49 per cent in FY2015, mainly due to increase in material cost and other direct costs. The net losses deteriorated to 56.30 per cent in FY2016 compared to loss of 26.39 per cent in FY2015.

The revenue stands at a moderate scale of Rs.21.62 crore in FY2016 and Rs.20.54 crore in FY2015. The company's operations are working capital intensive marked by high inventory days with gross asset days in the range of 400-423 in the last three years. The inventory days are in the range of 200-350 in the last three years.

The financial risk profile is weak marked by comfortable gearing, negative interest coverage ratios, negative net cash accruals to total debt and negative debt protection metrics. The gearing ratio has deteriorated marginally from 0.76 times in FY2015 to 0.93 times in FY2016. The interest coverage has been negative 2.81 times in FY2016 compared to 0.02 times in FY2015 mainly due to net losses. Moreover, the NCA/TD is at negative 0.35 times in FY2016. The net worth is at Rs.31.57 crore in FY2016 compared to Rs.35.06 crore in FY2015.

#### Rating Sensitivity Factors

- Scaling up of operations and improvement in profit margins
- Efficient working capital management

#### Outlook-Stable

SMERA believes that BFL will maintain a stable outlook and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company is able to increase scale of operations and improve profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the scale of operations and stretched liquidity.

### About the Company

BFL, established in 2010 is a Kolkata-based company that provides cold storage facilities to farmers on rental basis to store fruits and vegetables. The company has also launched its own brand of frozen food products under the 'Bangur Nature's Gold' and 'Bangur Insta Bite' names in Kolkata, Siliguri, Bhubaneswar and Patna.

For FY2015-16, BFL reported loss of Rs.12.17 crore on total operating income of Rs.21.62 crore, as compared with loss of Rs.5.42 crore on total operating income of Rs.20.54 crore in FY2014-15.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
19 Oct, 2015	Term Loan	10.55	SMERA B- (Assigned)	-	Stable
	Cash Credit	11.50	SMERA B- (Assigned)	-	Stable
	Bank Guarantee	5.00	-	SMERA A4 (Assigned)	-
	Forward Contract	0.05	-	SMERA A4 (Assigned)	-

### Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### ABOUT SMERA

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