

Press Release

Bhanu Farms Limited

April 03, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 32.10 Cr.
Long Term Rating	SMERA D (Downgraded from SMERA B-/Stable & Assigned)
Short Term Rating	SMERA D (Downgraded from SMERA A4)

*Refer annexure for details

SMERA has downgraded the long term and short term rating on the Rs. 32.05 crore bank facilities of Bhanu Farms Limited to '**SMERA D** (read as SMERA D)' from '**SMERA B-** (read as SMERA B minus)' and '**SMERA A4**' (read as SMERA A four). Further, SMERA has assigned long-term rating of "**SMERA D** (read as SMERA D)" on the Rs.0.05 crore bank facilities.

The downgrade is in view of delays in debt servicing.

Bhanu Farms Limited (BFL), incorporated in 2010 by Mr. Anant Bangur, is a Kolkata-based company that provides cold storage facilities to farmers to store fruits and vegetables.

Key rating drivers

Strengths

Reputed clientele

BFL caters to reputed clients including Reliance fresh, Wal-Mart, Godrej and Metro Cash N Carry.

Established brand name

The company launched its own brand of frozen food products under the brand name 'Bangur Nature's Gold' and 'Bangur Insta Bite' at Kolkata, Siliguri, Bhubaneswar and Patna.

Weaknesses

Delays in debt servicing

The company faces delays in debt servicing due to mismatch of cash flows.

Decline in revenue

BFL achieved revenue of Rs. 16.36 crore in FY2017 as against Rs. 21.62 crore in FY2016. The company reported revenue of Rs.18.43 crore during April 2017 to February, 2018. The operating losses stood at Rs. 1.67 crore in FY2017 as against operating losses of Rs. 7.22 crore in FY2016.

Weak financial risk profile

BFL has below average financial risk profile marked by moderate net worth of Rs. 27.11 crore as on 31 March, 2017 compared to Rs.31.57 crore as on 31 March, 2016. The gearing declined to 1.28 times as on 31 March, 2017 from 0.93 times as on 31 March, 2016. The total debt of Rs. 34.56 crore comprises term loan of Rs. 13.95 crore from banks, unsecured loans of Rs. 9.05 crore from directors/relatives and working capital fund of Rs. 11.56 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 0.26 times in FY2017 as against negative 2.18 times in FY2016. The Net Cash Accruals stood at negative Rs. 2.36 crore in FY2017.

Working capital intensive operations

The working capital intensive operations are marked by Gross Current Asset days of 635 in FY2017 and 423 days in FY2016. The debtor days stood at 35 in FY2017 and 34 days in FY2016. Further, the inventory holding period stood high at 451 days in FY2017 and 206 days in FY2016.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Bhanu Farms Limited to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.36	21.62	20.54
EBITDA	Rs. Cr.	(1.67)	(7.22)	(0.31)
PAT	Rs. Cr.	(4.51)	(12.17)	(5.42)
EBITDA Margin	(%)	(10.18)	(33.41)	(1.49)
PAT Margin	(%)	(27.56)	(56.30)	(26.39)
ROCE	(%)	(2.15)	(14.67)	(1.80)
Total Debt/Tangible Net Worth	Times	1.28	0.93	0.76
PBDIT/Interest	Times	0.26	(2.18)	0.02
Total Debt/PBDIT	Times	41.48	-4.20	376.37
Gross Current Assets (Days)	Days	635	423	431

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Services Entities - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26-Dec-2016	Term Loan	Long Term	10.55	SMERA B-/ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	3.19	SMERA B-/ Stable (Assigned)
	Cash Credit	Long Term	11.50	SMERA B-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.81	SMERA B-/ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	SMERA A4 (Reaffirmed)
	Derivative Exposure	Short Term	0.05	SMERA A4 (Reaffirmed)
19-Oct-2015	Term Loan	Long Term	10.55	SMERA B- / Stable (Assigned)
	Cash Credit	Long Term	11.50	SMERA B- / Stable (Assigned)
	Bank Guarantee	Short Term	5.00	SMERA A4 (Assigned)
	Derivative Exposure	Short Term	0.05	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.55	SMERA D (Downgraded)
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	3.19	SMERA D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	SMERA D (Downgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.81	SMERA D (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA D (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA D (Downgraded)

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ABOUT SMERA

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