

November 09, 2015

Facilities	Amount (Rs. Crore)	Ratings
Working Capital	60.00	SMERA BBB+/Stable (Assigned)
Term Loan	7.60	SMERA BBB+/Stable (Assigned)
Derivative/FC/CEL	2.20	SMERA A2 (Assigned)
Letter of Credit	2.00	SMERA A2 (Assigned)

SMERA has assigned a long term rating of '**SMERA BBB+**' (**read as SMERA triple B plus**) and a short-term rating of '**SMERA A2**' (**read as SMERA A two**) to the Rs.71.80 crore bank facilities of Bora Agro Foods (BAF). The outlook is '**Stable**'. The ratings are supported by the firm's long track record of operations, experienced management, healthy financial risk profile and reputed customer base. The ratings also factor in the increasing trend of exporting sesame seeds. However, the ratings are constrained by the firm's exposure to forex and commodity price fluctuation risks, uneven revenue trend, working capital intensive operations and partnership constitution of the firm.

BAF, established in 1996, is a Pune-based partnership firm engaged in the processing and export of sesame seeds and related products. The firm, part of the K.C. Bora group is managed by the Bora family that has vast experience of around five decades in the agro products industry.

BAF has a healthy financial risk profile marked by low gearing of 0.99 times as on March 31, 2015 and interest coverage ratio at 4.17 times. The return on capital employed is also high at ~18 percent in FY2015. In FY2015, BAF completed its debt funded capex of increasing capacity from 14,000 TPA to 30,000 TPA with a dedicated 12,000 TPA for the domestic market. Thus, with BAF venturing into the domestic market, the team expects the firm to register healthy growth in revenues going ahead.

India's export of hulled and natural sesame seeds has increased over the period in value terms from Rs.2,308 crore in FY2011 to Rs.4,718 crore in FY2015. BAF has ~4 percent share in India's total exports of sesame seeds with most customers concentrated in the USA (~60 percent) followed by Europe (~20 percent), Mexico, Israel, Hong Kong and Canada. BAF also caters to reputed customers viz. Bay State Milling Company, B C Williams Distribution Company, All Gold Imports among others.

BAF has high exposure to forex fluctuations which is mitigated through adequate hedging mechanisms. The price of the commodity is also a concern. Sesame seed prices declined by ~10-15 percent in FY2015 over the previous year. The operating revenue of the firm has thus been uneven during the period under study. After registering a 41 per cent growth in FY2014, the revenues declined by 10 per cent to Rs.172.49 crore in FY2015.

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BAF's operations being seasonal in nature are working capital intensive. BAF procures major quantity of sesame seeds during the period November to March to maintain inventory for the whole year. The working capital cycle improved to 83 days in FY2014-15 from 104 days in FY2013-14. During the off season, the bank limit utilisation of the firm stood low at ~48 percent for six months ended September 2015.

Rating Sensitivity Factors

- Improvement in scale of operations as well as increase in profit margins
- Working capital management
- Withdrawal of capital by partners

Outlook: Stable

SMERA believes that BAF will continue to benefit over the medium term from its established presence in the agro products industry. The outlook may be revised to 'Positive' in case the firm registers improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in BAF's networth.

About the Firm

BAF, established in 1996 was promoted by the Bora family that has around five decades of experience in agro food exports. The firm processes sesame, poppy, and other seeds at its manufacturing facilities in Pune and exports them to USA, Europe, and Mexico. Currently, BAF has installed capacity of 30,000 tonnes per annum.

BAF reported profit after tax (PAT) of Rs.12.10 crore on operating income of Rs.172.49 crore for FY2014-15, as compared with PAT of Rs.15.39 crore on operating income of Rs.191.09 crore in FY2013-14.

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