

Bajrang Agro Industries Private Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	30.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	1.50	SMERA A3 (Assigned)

SMERA has assigned long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.31.50 crore bank facilities of Bajrang Agro Industries Private Limited (BAIPL). The outlook is '**Stable**'. The ratings are strengthened by the company's experienced management, long track record of operations and diversified product profile. The ratings also draw support from the above average financial risk profile and comfortable liquidity position. However, the ratings are constrained by the declining revenue trend, agro climatic risk and susceptibility of margins to raw material price fluctuations. The ratings are also constrained by the intense competition and fragmented nature of the agro processing industry.

BAIPL, established in 1986, is an Indore-based company engaged in soya oil extraction, refining, processing of wheat products, manufacturing of pasta products and vermicelli. The company benefits from its experienced management. The promoters have extensive experience of around four decades in a similar industry. The company has a moderately diversified product base since it deals in soya oil and various wheat products such as flour, maida, pasta and vermicelli.

BAIPL has an above average financial risk profile. The company has healthy net worth of around Rs.58.25 crore (includes quasi equity of Rs.14.71 crore). The overall gearing stood at 0.10 times as on March 31, 2015. The interest coverage ratio stood comfortable at 5.46 times in FY2015. The company has healthy NCA/TD ratio of 1.38 times as on March 31, 2015. The working capital cycle stood comfortable at 69 days on March 31, 2015. Further, the average cash credit utilisation has been minimal during October, 2015 to March, 2016.

However, the ratings are constrained due to the decline in revenues from Rs.310.11 crore in FY2012-13 to Rs.289.15 crore in FY2014-15 on account of lower availability of soya crop. Soya contributes around 50-60 per cent of total sales. The company earned revenues of Rs.205.30 crore in FY2015-16 (provisional).

Further, the company is exposed to agro-climatic risks with soya and wheat being agricultural commodities. The ratings also factor in the susceptibility of margins to raw material price fluctuations.

Rating Sensitivity Factors

- Scaling up operations and profitability amidst volatile raw material prices
- Maintaining comfortable financial risk profile

Outlook-Stable

SMERA believes that the outlook on BAIPL's rated facilities will remain stable over the medium term on account of the company's experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep

decline in operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

Established in 1986 as Bajrang Extractions Private Limited, the company was renamed BAIPL in April 2006. Promoted by Mr. Subash Goyal and family, BAIPL is engaged in soya oil extraction and refining, processing of wheat products, manufacturing of pasta products and vermicelli.

The company's manufacturing facility is located at Indore. The installed capacities for solvent extraction, refining, wheat flour milling and pasta manufacturing stand at 90,000 TPA, 15,000 TPA, 30,000 TPA and 8,760 TPA respectively. BAIPL sells its wheat and pasta products under the Cookwell and Sarvottam brand names.

For FY2014-15, BAIPL reported profit after tax (PAT) of Rs.6.04 crore on operating income of Rs.289.15 crore, as compared with profit after tax (PAT) of Rs.6.60 crore on operating income of Rs.304.53 crore in FY2013-14.

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ABOUT SMERA

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