

Press Release

Bholenath Foods Limited (BFL)

13 October 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.28.00 Crore
Long Term Rating	SMERA BBB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as SMERA triple B minus on the Rs.28.00 crore bank facilities of Bholenath Foods Limited (BFL). The outlook is '**Stable**'.

Bholenath Foods Limited (BFL) was established as a private limited company in June 1997. The company was engaged in trading of spice and grain in Punjab under the leadership of Mr. Ashok Kumar, Managing Director and his four brothers. The constitution of the company changed from private limited to public limited in February 2017. The company is in the business of rice milling since 2000. BFL has four manufacturing facilities at Khera, Kalan, Narela, Delhi with total capacity of 9720 metric tons per annum. The company sells its products under the brand names of Delhi Great, the flagship brand, Eravat, Monal and Cheetal Basmathi Rice. The company also trades in sugar, broken rice and rice bran.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and long track record of operations: The company is into rice milling since 2000 and thus has long track record of operations. Over the past 17 years, the promoters have established strong relations with stakeholders viz., the mandis, brokers and distributors. Mr. Ashok Kumar and his four brothers Mr. Vijay Kumar Kapoor, Mr. Pradeep Kumar Kapoor, Mr. Rakesh Kumar Kapoor and Gulshan Kapoor manage the day-to-day operations of the company.

Above average financial risk profile: The financial risk profile of the company is marked by healthy net worth, comfortable gearing and comfortable debt protection measures. The net worth levels stood at around Rs.36.65 crore on 31 March, 2017 (Provisional) as against Rs.22.65 crore on 31 March, 2016, mainly on account of retention of current year profit. The gearing stood at a comfortable 0.72 times as on 31 March, 2017 (Provisional) as against 1.30 times in the previous year. The gearing has improved mainly on account of repayment of long term borrowings. The interest coverage ratio stood comfortable at 2.40 times in FY2016-17 (Provisional) against 1.91 times in FY2015-16. The net cash accrual by total debt (NCA/TD) stood at 0.12 times in FY2017 (Provisional) compared to 0.08 times in FY2016. The debt to service coverage ratio (DSCR) stood at 2.02 times in FY2017 (Provisional) compared to 1.67 times in FY2016.

Weaknesses:

Competitive and fragmented rice milling industry: Rice milling is a highly competitive industry due to low entry barriers, which results in intense competition from both, the organised as well as unorganised players.

Geographical concentration risk: The company sells 98 per cent of its produce in Delhi NCR region leading to significant geographical concentration risk. Given the intense competition in the region from

other millers, organised and unorganised, the price is elastic to demand resulting in thin margins for millers.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on the back of the management's extensive experience in the rice milling business and long track record of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of profitability and financial risk profile.

About the rated entity – Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.2.12 crore on operating income of Rs.222.09 crore, compared to Rs.1.27 crore on operating income of Rs.196.37 crore in FY2016. The net worth stood at Rs.36.65 crore as on 31 March, 2017 (Provisional) as against Rs.22.65 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	28.00	SMERA BBB-/Stable (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
Cash Credit	N.A	N.A	N.A	28.00	SMERA BBB-/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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