

Press Release

Bholenath Foods Limited

January 18, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Upgrade from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.40.00 crore of bank facilities of Bholenath Foods Limited (BFL). The outlook is '**Stable**'.

BFL was established as a private limited company in June 1997 and was engaged in the trading of spices and grains in Punjab under the leadership of Mr. Ashok Kumar (Managing Director) and his four brothers, Mr. Vijay Kumar Kapoor, Mr. Pradeep Kumar Kapoor, Mr. Rakesh Kumar Kapoor and Mr. Gulshan Kapoor. Subsequently, the constitution of the company was changed from private limited to public limited in February 2017. Since 2000, the company is engaged in rice milling. 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 'Eravat', 'Monal' and 'Cheetal Basmathi Rice' and 'Delhi Great', the flagship brand. It also trades in sugar, broken rice and rice bran.

The upgrade is in view of an improvement in its business risk profile marked by penetration in new geographies in the overseas market resulting in increase in revenue to Rs.302.36 crore in FY2018 from Rs.222.02 crore in the previous year. The rating also factors in improvement in its financial risk profile marked by improvement in net worth to Rs.46.55 crore in FY2018 from Rs.35.60 crore in the previous year, and also improvement in debt protection metrics marked by healthy interest coverage ratio (ICR) of 2.95 times in FY2018 as compared to 2.37 times in the previous year and debt service coverage ratio (DSCR) of 2.45 times in FY2018 as compared to 1.94 times in FY2017.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of BFL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The company is into same line of business since 2000 and thus, has long track record of operations. Over the past 19 years, the promoters have established comfortable relationship with the stakeholders viz., the mandis, brokers and distributors. Mr. Ashok Kumar and his four brothers look after the day-to-day operations of the company.

Healthy financial risk profile

BFL's healthy financial risk profile is marked by healthy net worth of Rs.46.55 crore in FY2018, an increased from Rs.35.60 crore in FY2017, mainly on account of retention of current year profit and infusion of fresh capital of Rs. 6.85 crore. The gearing of the company stood comfortable at 0.70 times in FY2018, a marginal improvement from 0.74 times in FY2017. The interest coverage ratio (ICR) of the company stood comfortable at 2.95 times in FY2018 as compared to 2.37 times in the previous year. The debt service coverage ratio (DSCR) stood comfortable at 2.45 times in FY2018 as compared to 1.94 times in previous year. Net cash accrual to total debt (NCA/TD) stood moderate at 0.13 times in FY2018 as compared to 0.11 times in the previous year. Going forward, the financial risk profile is expected to improve as the company has no debt funded capex plans.

Weaknesses

Commodity price fluctuation

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon season. Environmental factors, sound fertility of soil and seasonal monsoon control the output of the paddy cultivation affecting the demand supply dynamics of basmati rice year-on-year resulting in price flux. Furthermore, paddy price is largely dependent on several external factors including domestic demand outlook, international trade regulations and domestic productions. This exposes the company to the risk related with fluctuation in raw material price.

Moderate profitability

The operating margin of the company declined and stood moderate at 2.75 per cent in FY2018 as compared to 3.12 per cent in the previous year. The margin of the company has declined mainly on account of increase in selling expenses in FY2018. The net profitability also stood moderate at 0.95 per cent in FY2018 as compared to 0.88 percent in the previous year.

Outlook: Stable

Acuité 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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	302.36	222.02	196.37
EBITDA	Rs. Cr.	8.30	6.93	6.31
PAT	Rs. Cr.	2.87	1.95	1.27
EBITDA Margin	(%)	2.75	3.12	3.21
PAT Margin	(%)	0.95	0.88	0.64
ROCE	(%)	10.10	10.50	20.16
Total Debt/Tangible Net Worth	Times	0.70	0.74	1.30
PBDIT/Interest	Times	2.95	2.37	1.91
Total Debt/PBDIT	Times	3.89	3.72	4.66
Gross Current Assets (Days)	Days	98	116	92

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trade Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Nov-2017	Cash Credit	Long Term	28.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Assigned)
13-Oct-2017	Cash Credit	Long Term	28.00	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB/Stable (Upgraded)

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About Acuité Ratings & Research:

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