

Press Release

Bholenath Foods Limited

June 11, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 50.00 Cr. (Enhanced from Rs.40.00 Crore)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs. 50.00 Crore bank facilities of Bholenath Foods Limited (BFL). The outlook is '**Stable**'.

About the Company

BFL was established as a private limited company in June 1997 subsequently, the constitution of the company was changed from private limited to public limited in February 2017. The company was initially engaged in the trading of spices and grains in Punjab and is promoted by 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. Since 2000, the company is engaged in rice milling. BFL has four manufacturing facilities at Khera, Kalan, Narela, and Delhi with total capacity of 9720 metric tons per month. The company sells its products under the brand names of 'Eravat', 'Monal' and 'Cheetal Basmati Rice' and 'Delhi Great', the flagship brand. It also trades in sugar, broken rice and rice bran.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The company was initially engaged in trading of spices and grains and later since 2000 the company has been engaged in rice milling, thus having a long track record of operations of almost two decades in rice milling industry. The company is promoted by Mr. Ashok Kumar and his four brothers Mr. Vijay Kumar Kapoor, Mr. Pradeep Kumar Kapoor, Mr. Rakesh Kumar Kapoor and Mr. Gulshan Kapoor look after the day-to-day operations of the company. The promoter have an experience of almost two decades in the rice milling industry. Acuité believes the company will benefit from its experienced management and its presence for over two decades in the aforesaid industry.

• Healthy financial risk profile

Company's financial risk profile remained strong marked by high net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.52.43 Crore as on 31 March 2020 as against Rs.49.70 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 0.80 times as on 31 March 2020 as against 0.73 times in 31 March 2019. The total debt of Rs.42.05 Crore as on 31 March 2020 consists of secured loan of Rs.1.11 Crore and working capital borrowings of Rs.40.94 Crore. The interest coverage ratio (ICR) stood comfortable at 2.91 times in FY2020 as against 2.96 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.10 times in FY2020 as against 0.12 times in FY2019. DSCR stood strong at 2.37 times in FY2020 as against 2.37 times in FY2019. Debt-EBITDA stood at 5.18 times in FY2020 as against 4.25 times in FY2019.

• Moderate working capital nature of operations

The working capital management of the company is moderate in FY2020 marked by Gross Current Assets

(GCA) of 96 days in FY2020 as against 110 days in FY2019. The inventory and debtor levels stood at 48 days and 38 days in FY2020 as against and 67 days and 37 days in FY2019, respectively. The creditor days stood at 12 days in FY2020 as against 18 days in FY2019. As a result, the bank limits utilization stood comfortably at 76% in the last six months ending March, 2021. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of low debtors and inventory days.

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, soil fertility 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 like domestic demand outlook, international trade regulations and domestic productions. This exposes the company to the risk related with fluctuation in raw material price.

• Competitive and fragmented nature of rice milling business

Rice is a highly competitive industry due to low entry barriers, which results in intense competition from both the organized as well as unorganized players in the industry. The company is involved in the milling of rice and thus faces competition from large numbers of players into the similar business of rice milling especially given the geographical placement of the company.

Rating sensitivity

- Decline in revenue in FY2021 (Provisional) to ~Rs.281 Crore from Rs.336 Crore in FY2020 due to impact of covid-19 pandemic and nationwide lockdown.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.23 Crore in FY2020 as against CPLTD of Rs.0.18 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.4.00 Crore to Rs.5.30 Crore during FY2021-23 against CPLTD not more than Rs.0.40 Crore each year for the same period. Company's working capital operations are comfortable marked by gross current asset (GCA) days of 96 days in FY2020. As a result adequate, the bank limits stood comfortable at 76% in the last six months ending March, 2021. Company maintains unencumbered cash and bank balances of Rs.0.46 Crore as on 31 March 2020. The current ratio stands at 1.56 times as on 31 March 2020.

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 or elongation of profitability and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	336.88	306.62
PAT	Rs. Cr.	2.73	3.15
PAT Margin	(%)	0.81	1.03
Total Debt/Tangible Net Worth	Times	0.80	0.73
PBDIT/Interest	Times	2.91	2.96

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-March-2020	Cash Credit	Long term	28.00	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long term	5.50	ACUITE BBB/Stable (Reaffirmed)
	Proposed Cash Credit	Long term	6.50	ACUITE BBB/Stable (Reaffirmed)
18-January-2019	Cash Credit	Long term	28.00	ACUITE BBB/Stable (Upgraded)
	Cash Credit	Long term	5.50	ACUITE BBB/Stable (Assigned)
	Proposed Cash Credit	Long term	6.50	ACUITE BBB/Stable (Upgraded)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	43.00 (Enhanced from Rs.28.00)	ACUITE BBB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhanced from Rs.5.50)	ACUITE BBB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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