



Press Release
Bholenath Foods Limited
October 06, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.72	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	63.60	ACUITE BBB Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	3.60	-	ACUITE A3+ Assigned
Bank Loan Ratings	6.40	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	83.32	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 70.00 Crore bank facilities of Bholenath Foods Limited (BFL). The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 13.32 Crore bank facilities of Bholenath Foods Limited (BFL). The outlook is '**Stable**'.

Rationale for Rating Action

The rating action takes into account the stable business risk profile of the company marked by established business operations with experienced management. The revenue from operations of the company improved by 3.47% in FY2023 (Prov.) to 325.35 crore as against Rs. 314.42 crore for FY2022. Furthermore, Operating Profit Margin of company stood at 3.31% in FY2023(Prov.) as against 2.75% in FY2022 however the net profit margin of the company remains same and stood at 0.89 percent in FY2023(Prov.)(0.88 percent in FY 22). Further Working capital operations of the company improved in FY 23(Prov) in comparison to FY 22. The rating further draws comfort from the adequate liquidity position of the company. The company reported net cash accruals of Rs. 5.40 crore in FY2023 (Provisional) as against Rs. 2.25 crore of matured debt obligations during the same period. The rating is however constrained on account of working capital intensive nature of operations, deterioration in coverage indicators. Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure and improvement in working capital operation remains a key rating indicator.

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 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.

Financial Risk Profile –Comfortable

Company has comfortable financial risk profile marked by healthy net worth, moderated gearing and comfortable coverage indicators. The Total Tangible net worth stood at Rs. 60.58 Cr as on 31st March 2023(Prov.) as against Rs. 57.68 Cr a year earlier. Improvement in Net worth is on account of profit accretions. Debt to Equity ratio witnessed minuscule improvement of 16 bps and stood at 1.31 times in FY 2023(Prov.) as against 1.47 times in FY 22. Further, the interest coverage ratio decreased by 42 bps and yet stood comfortable at 2.25 times for FY2023 (Prov.) as against 2.67 times in FY2022. Dip in Interest coverage ratio is on account of Increase in interest cost in FY 23 in comparison to FY 22. Likewise, Debt Service coverage ratio witnessed deterioration by 92 bps and stood at 1.42 times for FY2023 (Prov.) as against 2.36 times in FY2022.

Business risk profile

BFL's operating income improved by 3.47% in FY2023 (Prov.) to 325.35 crore as against Rs. 314.42 crore for FY2022. The operating profit margin of the company increased by 56 bps in FY 23. Operating Profit Margin of company stood at 3.31% in FY2023(Prov.) as against 2.75% in FY2022 however the net profit margin of the company remains same and stood at 0.89 percent in FY2023(Prov.)(0.88 percent in FY 22). ROCE of the company stood at 6.60 times in FY2023 (Prov.). Further company has booked operating income of Rs ~159 crore in First five months of FY 24. Company currently has order in hand of Rs ~50 crore to be delivered in next 45 to 90 days. Out of the total orders export is 35.64crs and domestic 15crs.

Although the operating income of the company increased in comparison to last year increased however volume sale witnessed dip of ~7.50 percent in FY 23. Company sold 723000 Qtls in FY as against 777385 Qtls in FY 22. During the FY 23 company sold high value rice due to which operating income increased despite of dip in volume sale.

Weaknesses

Working capital operations- Intensive

Company has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 174 days in FY2023(Prov.) as compared to 185 days in FY2022. Intensiveness of Working capital is on account of High Inventory. Debtor days improved and stood by 37 days and stood at 51 Days in FY2023 (Prov.) as against 88 days in FY 22. Inventory days deteriorated and stood at 110 days in FY 23 (89 days in FY22). Working capital limits are utilized at ~82 per cent during the last twelve months ended June 23.

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 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 Sensitivities

Improvement in Operating income and profitability

Improvement in Volume Sale

Improvement in Working Capital Operation resulting in better liquidity

All Covenants

None

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 5.40 crore for FY2023 (Prov.) as against debt repayment obligations of Rs. 2.25 crores for the same period. Current Ratio stood at 1.48 times as on 31 March 2023(Prov.) as against 1.42 times in the previous year. Working capital limits are utilized at ~82 per cent during the last twelve months ended June 23 leaving additional cushion to meet the contingencies in near future. Cash and Bank Balances of company stood at Rs 0.26 crores. The liquidity of the company is expected to improve with company expected to generate cash accruals in the range of Rs. 6.5 to 7.75 Cr. will also support the liquidity of the company. Coupled to this Axis Bank has taken over the cash credit limit of Rs 7 crore and sanctioned cash credit limit of Rs 14 crore in July 23 accordingly company has enhancement of CC limit by Rs 7 crore.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	325.35	314.42
PAT	Rs. Cr.	2.90	2.76
PAT Margin	(%)	0.89	0.88
Total Debt/Tangible Net Worth	Times	1.31	1.47
PBDIT/Interest	Times	2.25	2.67

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jul 2022	Proposed Bank Facility	Long Term	0.19	ACUITE BBB Negative (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB Negative (Reaffirmed)
	Derivative Exposure	Short Term	1.60	ACUITE A3+ (Assigned)
	Working Capital Term Loan	Long Term	1.40	ACUITE BBB Negative (Assigned)
	Cash Credit	Long Term	43.00	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	10.41	ACUITE BBB Negative (Assigned)
	Standby Line of Credit	Short Term	6.40	ACUITE A3+ (Assigned)
11 Jun 2021	Cash Credit	Long Term	43.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
26 Mar 2020	Proposed Cash Credit	Long Term	6.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.68	ACUITE BBB Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	43.00	ACUITE BBB Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.32	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.40	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.60	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.92	ACUITE BBB Stable Reaffirmed Negative to Stable
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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