



Press Release
Bholenath Foods Limited
November 15, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	73.32	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	83.32	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and short term rating of ‘**ACUITE A3+** (read as **ACUITE A Three Pluso**)’ on the Rs. 83.32 Cr. bank facilities of Bhole Nath Foods Limited (BFL). The outlook is ‘**Stable**’.

Rationale for reaffirmation of rating:

The reaffirmation of rating considers significant growth in operating income with stable margins and expectation of maintaining similar revenue growth in the current year. In FY2024, higher realizations for rice, particularly basmati rice, has contributed to a 22 percent revenue growth for BNFL, despite of lower sales volume for the year. However, the operating profit margins remained stable due to higher input costs and competitive market conditions. The rating also draws comfort from the company’s moderate financial risk profile although it is constrained by moderate working capital operations, competitive nature of industry and risk of fluctuations in commodity price. Going forward, sustaining the revenue growth and improvement in profitability and financial risk profile will be a key monitorable.

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.

Unsupported Rating

Not applicable

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. Acuite believes the company will benefit from its experienced management and its presence for over two decades in the aforesaid industry.

Strong growth in revenue despite a decline in quantity led by high realizations through for basmati rice:

The company registered revenue of Rs.393.36 Cr. in FY2024, posting ~22 percent growth against the previous year's revenue of Rs.323.23 Cr, despite a ~9 percent decline in quantity. The growth in revenue is primarily driven by the high realizations for the rice during the year. However, the operating profit margins remained stable at 3.19 percent in FY2024 compared to 3.26 percent in FY2023 due to higher raw material costs. PAT margin also remained stable at 0.90 percent in FY2024 compared to 0.96 percent in FY2023, the marginal deterioration is due to increased interest expense and depreciation. Additionally, the company registered revenue of Rs.210 Cr. till September 2024 and expected to close the year with the revenue of Rs.410-420 Cr. on account of strong global demand for the rice products. Acuite expects the revenue of BNFL to further increase over the medium term on account of strong global demand for the rice and increasing exports.

Moderate financial risk profile:

BNFL's financial risk profile is moderate, marked by moderate net worth, moderate gearing and above average debt protection metrics. The company's net worth stood at Rs.64.30 Cr. as on March 31, 2024 against Rs.60.77 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. Consequently, the company's leverage indicators have remained moderate, despite the marginal increase in overall debt levels to Rs.80.33 Cr. as on March 31, 2024 from Rs.79.29 Cr. as on March 31, 2023. The gearing and total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.25 times and 1.98 times as of March 31, 2024 respectively compared to 1.30 times and 1.86 times as on March 31, 2023 respectively. The debt protection metrics stood above average with DSCR and ICR of 1.32 times and 2.15 times respectively as on March 31, 2024. Debt to EBITDA also improved to 5.73 times as on March 31, 2024 from 6.58 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term due to the increasing scale of operations.

Weaknesses

Moderate intensive nature of working capital operations:

BNFL's working capital operations are moderately intensive in nature as reflected through the gross current assets days (GCA) days of 157 days in FY2024, improved from 175 days in FY2023. The elongated GCA days is due to high inventory as the nature of business requires to maintain high raw material inventory as it is a seasonal crop. Paddy being kharif crop is harvested in the month of November- December in North India. Accordingly Raw Material arrives in markets after December. Further Company manages its inventory by placing corresponding order with supplier to hedge against any price volatility. Usually during October to March inventory holding is high and is backed by the corresponding order to be dispatched as per the customer cycle. From April to October inventory comes down as dispatches takes place during that period. This resulting in a high inventory days of 71 days and debtor days of 75 days in FY2024. Debtor's days stood at 75 days in FY2024 against 51 days in FY2023. Consequently, the fund based working capital limits were highly utilized at an average of 92 percent during the past 12 months ending September, 2024. Acuite believes that BNFL's working capital operations will remain moderately intensive over the medium term due to the nature of business.

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

Positive:

- Sustenance of revenue growth
- Improvement in profitability and financial risk profile.
- Improvement in working capital operations.

Negative:

- Any elongaion in the working capital cycle leading to deterioration of short-term liquidity.
- Any deterioration in profitability and financial risk profile.

Liquidity position: Adequate

BNFL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs.6.29 Cr. as on March 31, 2024, comfortably covering the debt obligation of Rs.3.18 Cr. for the same period. NCA's are expected to range between Rs.6.7-8.00 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.2.5-4.00 Cr. The company's current ratio stood moderate at 1.39 times as on March 31, 2024 and the GCA days remained at 157 days in FY2024. The unencumbered cash and bank balances stood low at Rs.0.32Cr as on March 31, 2024. The fund based working capital limits were utilized at an average of 92 percent during the past 12 months ending September, 2024. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	393.36	323.23
PAT	Rs. Cr.	3.52	3.10
PAT Margin	(%)	0.90	0.96
Total Debt/Tangible Net Worth	Times	1.25	1.30
PBDIT/Interest	Times	2.15	2.29

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
06 Oct 2023	Stand By Line of Credit	Short Term	6.40	ACUITE A3+ (Reaffirmed)
	Stand By Line of Credit	Short Term	3.60	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	43.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	12.68	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	1.32	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	1.40	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	7.92	ACUITE BBB Stable (Reaffirmed)
22 Jul 2022	Derivative Exposure	Short Term	1.60	ACUITE A3+ (Assigned)
	Stand By Line of Credit	Short Term	6.40	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	43.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	10.41	ACUITE BBB Negative (Assigned)
	Working Capital Term Loan	Long Term	1.40	ACUITE BBB Negative (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.19	ACUITE BBB Negative (Assigned)
11 Jun 2021	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	43.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	30 Aug 2021	Not avl. / Not appl.	25 Dec 2027	1.40	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	08 Dec 2021	Not avl. / Not appl.	30 Oct 2026	7.92	Simple	ACUITE BBB Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Katta Akhil Senior Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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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