



Press Release

BALAJI AGRO PRIVATE LIMITED

APRIL 09, 2019

Rating Upgraded and Re-affirmed

Total Bank Facilities Rated*	Rs. 31.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB/Stable)
Short Term Rating	ACUITE A4+ (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and re-affirmed short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 31.50 crore bank facilities of BALAJI AGRO PRIVATE LIMITED (BAPL). The outlook is '**Stable**'.

The upgrade in rating takes into account sustained improvement in their financial risk profile supported by enhanced scale of operations coupled with rise in net profit margins and net cash accruals.

Incorporated in 2000 by Mr. Nand Kishore Agarwal and Mr. Raju Agarwal, Balaji Agro Private Limited (BAPL), a Kolkata-based company is engaged in the blending and export of tea under the brand names 'Meri Chai' and 'Popular'. The company has two blending units at Maheshtala and Khiderpore (West Bengal) with combined installed capacity of 1 cr kg of tea per annum. The company also provides warehousing services on rent.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of BAPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management

The promoter of BAPL has over two decades of experience in the same line of business. Currently the business is headed by Mr. Nand Kishore Agarwal and Mr. Raju Agarwal. Mr. Nand Kishore Agarwal is responsible for the overall procurement and sales whereas Mr. Raju Agarwal is responsible for the total administration of the company. The long track record and experience of the promoters has helped the company to establish a healthy relationship with customers and suppliers.

Improved scale of operations

The company reported operating income of Rs. 173.56 crore in FY2018 as against Rs. 117.92 cr in FY2017 resulting in y-o-y growth of 47.18 per cent. During the current financial year, BAPL clocked revenue of Rs 232 crore till February'19 (provisional). The top-line increased on the back of significant rise in exports which contributed to ~ 70 % per cent in FY 2018 and 82 per cent in the current financial year.

Improvement in financial risk profile

The financial risk profile has improved in FY 2018 marked by healthy net worth base, comfortable gearing and modest debt protection metrics. The net worth stood comfortable at Rs 63.05 crore as on 31st March'2018 as against Rs 59.34 crore as on 31st March'2017. The gearing is comfortable and

stands constant at 0.84 times in FY 2018 and FY 2017. The interest coverage ratio improved to 2.41 times in FY 2018 from 1.56 times in FY 2017. The NCA/TD stands modest at 0.09 times in FY 2018 as against 0.04 times in FY 2017.

Weaknesses

Working Capital Intensive Nature of Operations

BAPL's operations are working capital intensive marked by high gross current asset (GCA) of 261 days and 344 days in FY 2018 and FY 2017 respectively. The high GCA days are primarily due to high inventory holding period and other current assets in the nature of advance to suppliers and others to the tune of ~ Rs 23 crore as on 31st March'18. Inventory days stood at 106 and 147 in FY 2018 and FY 2017 respectively. The high inventory days are year - end phenomena where the company has to keep stock of tea due to the lean season of tea from November to March. However, the average utilization of the fund based working capital limit is comfortable ~ 63 per cent for the 11 months ended February'19.

Volatility in tea prices and agro climatic conditions

The prices of tea are linked to the auctioned prices and further to prices of tea in the international market. Significant price movements in the international market may affect BAPL's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances in the domestic and international market. Tea is a perishable product and demand for it is relatively price inelastic as it caters to all segments of society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

Liquidity:

The company has moderate liquidity profile marked by net cash accruals of ~ Rs 4.50 crore during FY 2018 crore against Rs 3 crore of debt obligations during the same period. The operations are working capital intensive marked by gross current asset (GCA) days of 261 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the company remains utilised at 63 percent during the last 11 months period ended February 2019. The current ratio of the company stands at 1.66 times as on March 31, 2018.

Outlook: Stable

Acuite believes that outlook for BAPL will remain 'stable' over the medium term on account of experienced management. The outlook may be revised to 'positive' if the company increases its scale of operations and profitability and improves its working capital intensity, and it could be revised to 'negative' on account of decline in revenue and profitability or deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	173.56	117.92	137.96
EBITDA	Rs. Cr.	7.21	6.25	7.44
PAT	Rs. Cr.	3.67	1.58	1.30
EBITDA Margin	(%)	4.15	5.30	5.40
PAT Margin	(%)	2.11	1.34	0.95
ROCE	(%)	8.85	6.24	7.09
Total Debt/Tangible Net Worth	Times	0.84	0.84	0.94
PBDIT/Interest	Times	2.41	1.56	1.36
Total Debt/PBDIT	Times	4.93	6.95	6.48
Gross Current Assets (Days)	Days	261	344	293

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

CRISIL vide its press release dated 13 February, 2019 has mentioned the rating of BAPL to 'CRISIL A4+' Issuer not cooperating as on 13-Feb -2019.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
22-Jan-2018	PC/PCFC	Short Term	20.00	ACUITE A4+ (Assigned)
	Foreign Bill Discounting	Short Term	8.00	ACUITE A4+ (Assigned)
	Proposed PC/PCFC	Short Term	1.25	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Long Term Proposed	Long Term	0.25	ACUITE BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Reaffirmed)
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Reaffirmed)
Proposed PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)
Long Term Proposed	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB+/Stable (Upgraded from ACUITE BB/Stable)

Contacts

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About Acuité Ratings & Research:

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