

Press Release

Balaji Agro Private Limited

02 January 2020

Rating Upgraded & Assigned



Total Bank Facilities Rated*	Rs. 32.50 Cr.
Short Term Rating	ACUITE A3 (Upgraded & Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the short-term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.32.50 crore of bank facilities of Balaji Agro Private Limited (BAPL).

The upgrade in short-term rating is driven primarily on account of their consolidation with Vikrma Impex Private Limited and the benefit it derives from their support.

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 crore kg of tea per annum. Company is also engaged into warehouse rental business as it lease out its warehouses to reputed clients such as Bharti Airtel Ltd, V-guards industries Pvt Ltd among others.

Incorporated in 1994 by Mr. Nand Kishore Agarwal, Vikrma Impex Private Limited (VIPL) is engaged in the blending and export of tea (Black Tea, CTC, Orthodox Tea, Darjelling, Green Tea and Flavoured Tea) at Kolkata. The manufacturing units are located at Khidderpore and Maheshtala (Kolkata). The company sells its products under the 'Meri Chai', 'Munna Meri', 'Royal Cup', 'Popular' and 'Vikram' brand names. Company is also engaged into warehouse rental business as it lease out its warehouses to reputed clients such as Sheenlac paints Ltd. among others.

Analytical Approach:

Acuité has now consolidated the business and financial risk profiles of Vikrma Impex Private Limited (VIPL) with Balaji Agro Private Limited herein referred to as Vikrma Group. The consolidation is in view of common management, similar line of business and financial linkages in the form of corporate guarantee extended by VIPL to BAPL.

Key Rating Drivers:

Strengths

Experienced management and wide presence

The promoters of the Vikrma Group have a business experience of around two decades in blending and export of tea. The group has wide presence in overseas market such as Russia, Iran, Kazakhstan among others which contributes around 80 percent of total revenue of the group. In the domestic market, the group has distribution network in West Bengal, Orissa and Bihar. Currently, the day to day operations of the group are managed by Mr. Nand Kishore Agarwal and his son, Mr. Vikrmaditya Agarwal.

Healthy financial risk profile

Healthy financial risk profile of the group is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stands at Rs.110.84 crore in FY2019 as compared to Rs.99.28 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the group stands at 0.90 times as on March 31, 2019 when compared to 1.13 times as on March 31, 2018. The total debt of Rs.108.99 crore in FY2019 consists of short-term loan of Rs.34.36 crore, unsecured loan from promoters of Rs.0.05 crore and long-term debt of Rs.61.21 crore. Interest coverage ratio (ICR) is comfortable and stands at 2.82 times in FY2019 as against 2.68 times in FY 2018. The debt service coverage ratio also stands comfortable at 1.54 times in FY2019 as against of 1.09 times in FY2018. The net cash accruals against total debt

(NCA/TD) stand at 0.14 times in FY2019 as compared to 0.10 times in previous year. Acuité believes the financial risk profile of the group will remain healthy on account of no major capex over the medium term.

Healthy scale of operation

The scale of operation of the group stood healthy at 415.23 crore in FY2019 as compared to Rs.359.84 crore in the previous year. The group has booked Rs. 280.41 crore till 31st October 2019 (Prov.). The group is also engaged into warehouse rental business which contributes to around 5 percent of revenue in FY19. Sustainability of the group's growth in scale of operation over the medium term would remain a key monitorable.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 186 days in FY2019 as compared to 209 days in FY2018. The inventory days are moderate at 32 days in FY2019 as compared to 79 days in FY2018. The debtor days also stands moderate at 71 days in FY2019 and 78 days in FY2018 respectively. The GCA days stands high mainly on account of high other current assets of Rs.76.32 crore in FY2019 mainly consisting of statutory deposit, advance for parties, other receivables among others. Acuité believes group continue to maintain similar working capital cycle in coming years also.

Volatile 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 the group'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.

Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

Group has adequate liquidity profile reflected from net cash accrual of Rs.14.01 crores in FY19 as against current maturity of Rs.3.77 crores. Current ratio had been comfortable at 1.80 times in FY19 as against 1.71 times in previous year. In addition, utilization of fund-based limits are ranging from 91 percent to 98 percent during last 12 month ended October 2019. Group is expect to generate surplus cash flow from warehouse rental business in coming years, which will help to maintain adequate liquidity profile.

Outlook: Stable

Acuite believes that Vikrma group will benefit over the medium term from the promoters vast experience in the tea blending industry. The outlook may be revised to 'Positive' if Vikrma group posts an improvement in its financial risk profile backed by improvement in profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve expected growth in revenue and if its financial risk profile deteriorates.

About the Rated Entity - Consolidated

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	415.23	359.84
PAT	Rs. Cr.	11.97	9.50
PAT Margin	(%)	2.88	2.64
Total Debt/Tangible Net Worth	Times	0.86	1.13
PBDIT/Interest	Times	2.82	2.68

About the Rated Entity - Standalone

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	245.50	173.56
PAT	Rs. Cr.	5.84	3.67
PAT Margin	(%)	2.38	2.11
Total Debt/Tangible Net Worth	Times	0.56	0.84
PBDIT/Interest	Times	2.91	2.41

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-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
09-April-2019	PC /PCFC	Short Term	20.0	ACUITE A4+ (Reaffirmed)
	Foreign Bill Discounting	Short Term	8.0	ACUITE A4+ (Reaffirmed)
	Proposed PC /PCFC	Short Term	1.25	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Long Term Proposed	Long Term	0.25	ACUITE BB+/Stable (Upgraded)
22- Jan-2018	PC /PCFC	Short Term	20.0	ACUITE A4+ (Assigned)
	Foreign Bill Discounting	Short Term	8.0	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	Ratings/Outlook

PC /PCFC	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3 (upgraded)
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Upgraded)
Proposed non fund based limit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (upgraded)

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About Acuité Ratings & Research:

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