

Press Release

British Agro Products India Private Limited

06 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 17.00Cr.
Long Term Rating	SMERA BB/ Outlook:Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.17.00 crore bank facilities of British Agro Products India Private Limited. The outlook is '**Stable**'.

Incorporated in April 2014 by Mr. Akilan Ramnathan, British Agro Products India Private Limited (BAPIPL) is engaged in the cultivation of white button mushrooms in an air conditioned environment. The company also started exporting Indian yellow maize and steam ponni rice from FY2018 onwards. The company has mushroom cultivation facilities at Kancheepuram, Tamil Nadu with installed capacity of 12 tons per day as on November 2017.

Key rating drivers

Strengths

Cultivation of mushroom and business diversification into commodity trading: The company started cultivation of mushroom from Apr 2014 and has capacity to produce 12 tons of button mushrooms per day as on November 2017. The company began export of agro commodities such as maize and rice to Singapore, Malaysia and Sri Lanka in FY2018

Improvement in topline and operating profitability: The topline increased to Rs.32.02 crore in FY2017 from Rs.16.05 crore in FY2016 due to increase in sale of button mushrooms. The company sold 2197 tons of mushrooms in FY2017 as compared to 1098 tons a year earlier. The company generated revenue of Rs.75.71 crore (Provisional) till November 2017 of which Rs 30.71 crore revenue has been from sale of mushrooms and Rs 45.00 crore through trading of maize and rice as on November 2017. The operating profitability improved to 29.57 per cent in FY2017 from Rs 13.23 per cent in FY2016 due to decline of raw material costs and better absorption of employee expenses. The company started producing spawn (raw material) in its laboratory from FY2017 onwards which led to decline in raw material costs.

Weaknesses

Average financial risk profile: The average financial risk profile is marked by low net worth, moderate gearing and healthy debt protection metrics. The net worth increased to Rs.5.86 crore in FY2017 from Rs.0.68 crore in FY2016 due to retention of profits in the business. The gearing levels improved to 1.40 times in FY2017 from 10.64 times in FY2016 due to increase in net worth levels. The interest coverage levels of the company improved to 11.54 times in FY2017 from 6.54 times in FY2016 due to increase in profitability. The net cash accruals to total debt (NCA/TD) stood at 0.74 times in FY2017 as compared to 0.20 times in FY2016.

Inventory loss due to perishable nature of finished products: The cultivation of mushrooms is a complex process with the harvest time being limited. Any delay could lead to the crop being destroyed. Button mushrooms are highly perishable and can be stored in polythene bags at 4-5°C for a short period of 3-4 days

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of BAPIPL to arrive at the rating.

Outlook – Stable

SMERA believes that BAPIPL will maintain a stable outlook in the medium term on improvement in scale of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.02	16.05	5.91
EBITDA	Rs. Cr.	9.47	2.12	0.85
PAT	Rs. Cr.	5.18	0.63	0.02
EBITDA Margin	(%)	29.57	13.23	14.38
PAT Margin	(%)	16.18	3.90	0.39
ROCE	(%)	74.30	16.82	7.94
Total Debt/Tangible Net Worth	Times	1.40	11.32	194.79
PBDIT/Interest	Times	11.54	6.54	3.96
Total Debt/PBDIT	Times	0.86	3.58	8.31
Gross Current Assets (Days)	Days	38	25	30

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB/ Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+(Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Ratings Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Sethu Madhav Putti Rating Analyst Tel: +91-22-6714 1128 Email: sethu.madhav@smera.in	

ABOUT SMERA

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