

Press Release

Shree Bhagwati Agrotech Private Limited

October 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.19.00 crore bank facilities of Shree Bhagwati Agrotech Private Limited (SBAPL). The outlook is '**Stable**'.

Incorporated in 2016, SBAPL is a Siliguri (West Bengal) based company promoted by Mr. Aditya Dalmia, Mr. Bhagwati Prasad Dalmia and Mrs. Babita Dalmia. The company produces wheat based products such as maida, suji and atta with an installed capacity of 45000 MTPA. The commercial operations of the company commenced from October, 2016.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have more than four decades of experience in food industry by virtue of his association with M/s Shree Bhagwati Rice Mill (proprietary concern) and involvement in managing traditional flour mill. This has helped the company in establishing its brand and its relationship with customers and suppliers.

- **Moderate profitability metrics and improving scale of operations**

The company commenced its commercial production in October, 2016 and has posted operating revenue of Rs.35.29 crore in FY2017-2018 as against Rs.18.19 crore in FY2016-2017. The profitability metrics is healthy reflected by operating margin (EBITDA margin) of 9.31 percent in FY2018 as against 7.10 percent in FY2017. The net profitability stood at 2.71 percent as against net losses in FY2017. The revenue profile is expected to grow with gradual improvement in utilisation level. Going forward, the ability of the company to sustain profitability will be a key monitorable.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is moderate reflected in low net worth, high gearing and average debt protection metrics. The net worth remained low at Rs.4.43 crore as on March 31, 2018 as against Rs.3.62 crore as on March 31, 2017. The gearing improved but remained high at 2.43 times as on March 31, 2018 as against 2.77 times in the previous year. The capital structure is weak owing to capital expenditure undertaken for setting up the facility and is expected to improve with repayment of debt obligations in the medium term. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) improved from 1.42 times and 1.17 times respectively in as on March 31st, 2017 to 3.00 times and 1.61 times as on March 31st, 2018 (provisional). The same is on account of improved net cash accruals from Rs 0.16 Crore in FY2016-2017 to Rs 2.28 Crore in FY2017-2018 (provisional).

• **Susceptibility to inherent agro climatic risk and pricing pressure**

The flour-milling industry is susceptible to agro-climatic risks and can affect the availability of wheat in adverse weather conditions. Fluctuation in supply on account of government policies exposes the company to price-volatility risk.

Outlook: Stable

Acuité believes that SBAPL will maintain a 'Stable' outlook over the medium term from experienced management and demand prospects in the sector. The outlook may be revised to 'Positive' if the scale of operations and profitability improve or if there is sustained improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the revenue profile or profitability metrics weakens or the capital structure deteriorates further.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	35.29	18.19	0.03
EBITDA	Rs. Cr.	3.29	1.29	0.01
PAT	Rs. Cr.	0.80	-1.22	0.01
EBITDA Margin	(%)	9.31	7.10	31.67
PAT Margin	(%)	2.27	-6.71	31.37
ROCE	(%)	12.57	-0.54	0.35
Total Debt/Tangible Net Worth	Times	2.43	2.77	0.80
PBDIT/Interest	Times	3.00	1.42	5.74
Total Debt/PBDIT	Times	3.24	7.61	257.39
Gross Current Assets (Days)	Days	82	84	8538

Any other information

Not Applicable

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.83	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	7.92	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4+

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About Acuité Ratings & Research:

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