

Press Release

Brahmaputra Biochem Private Limited

April 20, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.75.00 Cr.
Long Term Rating	ACUITE BBB- (Withdrawn)
Short Term Rating	ACUITE A3 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on Rs.75.00 Cr bank facilities of Brahmaputra Biochem Private Limited (BBPL).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

About the company

Incorporated in 2010, BBPL has established a grain-based distillery unit in Assam to produce potable and industrial grade alcohol viz. extra neutral alcohol (ENA), Distillers Dried Grain Solubles (DDGS) and impure spirit. The commercial operations commenced from April 2016. The installed capacity for ENA is 60,000 litres/day along with 3150 litres/day of impure spirits. The company also plans to sell liquid CO₂ of around 30 tons/day. The company also has 2MW captive power plant. The company is promoted by Mr. Jagmohan Singh Arora, Mr. Kuljeet Singh Arora and Mr. Arjun Arora.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

BBPL's promoters Mr. Jagmohan Singh Arora, Mr. Kuljeet Singh Arora and Mr. Arjun Arora have an experience of over four decades in various industries. The management is associated with J. K. Arora Group of companies since 1965. The group is engaged in various businesses such as dairy product processing since 1965, Marble mining industry since 1982, and hotel industry since 2008. Acuité believes that BBPL will benefit from its established position in various industries, experienced management and established relationships with customers and suppliers.

- **Comfortable financial risk profile**

The comfortable financial risk profile of the company is marked by strong networth, comfortable gearing and moderate debt protection metrics. The net worth of the company stood at Rs.89.14 Cr. as on 31 March, 2020 as against Rs.81.98 Cr. as on 31st March, 2019. The gearing stood below unity at 0.63 as on March 31, 2020 against 0.78 on March 31, 2019. Moreover, the interest coverage ratio (ICR) stood at 3.33 times and debt service coverage ratio (DSCR) stood at 1.08 times in FY2020. The NCA/TD stood at 0.23 times as on 31st March, 2020.

- **Improvement in scale of operations**

BBPL has achieved revenues of Rs.164.36 Cr in FY2020 as compared to revenues of Rs.127.75 Cr in FY2019, registering a y-o-y growth of 28.66 per cent. The company has an operating margin of 14.57 per cent in FY20 as compared to 17.72 per cent in the previous year. This reduction is due to increase in raw material cost. The PAT margins stood at 5.11 per cent as on FY2020 as against 4.68 per cent as on FY2019.

Weakness

- **Efficient working capital management**

The company's working capital management is efficient marked by Gross Current Asset days of 97 days in FY2020 as against 145 days in FY2019. The decrease in GCA days is majorly on account of decrease in debtor period to 4 days in FY2020 as against 11 days in FY2019. The inventory days stood at 75 days in FY2020 against 34 days in FY2019. Acuite believes that the company's operations are likely to remain at similar levels over the medium term.

- **Exposure to risk related to timely completion of the ongoing capex plan**

The company has signed an agreement with Diageo for setting up a bottling unit. The estimated cost of the project is Rs.22.09 Cr, which is to be funded through equity of Rs.5.52 Cr and term loan of Rs.16.57 Cr. As per the agreement, operations are likely to commence from July 01, 2021. However, the company has taken an extension of two months for completing the same. The revenue pick up of the project is expected to be gradual. Hence, timely completion and execution of the project will remain a key risk during the continued Covid-19 pandemic.

- **Susceptibility to fluctuation in raw material prices and highly regulated industry**

The company is engaged in manufacturing of grain based Extra Neutral Alcohol (ENA). The major raw materials consumed by the company are maize and rice. The dependence of growth of such agro products are highly dependent on the agro-climatic conditions. The profitability of the company is exposed towards the price fluctuation of these seasonal commodities. In addition, the company works in an industry which is highly regulated in terms of pricing, production, supply and distribution.

Rating Sensitivity

Not Applicable

Material Covenant

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by net cash accruals of Rs.13.22 crore in FY2020 against repayment obligation over the same period of Rs.11.70 crore. The current ratio stood at 0.86 times as on March 31, 2020 as against 1.22 times as on March 31, 2019. The company maintains cash and bank balances of Rs.0.97 crores as on March 31, 2020 as against Rs.1.04 crores as on 31st March, 2019.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	164.36	127.75
PAT	Rs. Cr.	8.39	5.98
PAT Margin	(%)	5.11	4.68
Total Debt/Tangible Net Worth	Times	0.63	0.78
PBDIT/Interest	Times	3.33	2.39

Status of non-cooperation with previous CRA

- India Ratings & Research, vide its press release dated Dec 26, 2018 had denoted the rating of Brahmaputra Biochem Private Limited as 'IND B+/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
20 July 2020	Cash Credit	Long term	8.96	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long term	8.98	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	19.19	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	17.60	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	16.51	ACUITE BBB-/Stable (Reaffirmed)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (Reaffirmed)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (Reaffirmed)
05 February 2020	Cash Credit	Long term	8.96	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long term	8.98	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	26.07	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	26.30	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.93	ACUITE BBB-/Stable (Reaffirmed)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (Reaffirmed)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (Reaffirmed)
02 January 2019	Cash Credit	Long term	8.96	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long term	8.98	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	26.07	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	26.30	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	0.93	ACUITE BBB-/Stable (Assigned)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (Assigned)
	Bank guarantee /Letter of Guarantee	Short Term	1.88	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.96	ACUITE BBB- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.98	ACUITE BBB- (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	19.19	ACUITE BBB- (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.60	ACUITE BBB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.51	ACUITE BBB- (Withdrawn)
Bank guarantee /Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.88	ACUITE A3 (Withdrawn)
Bank guarantee /Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.88	ACUITE A3 (Withdrawn)

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About Acuité Ratings & Research:

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