

## Press Release

### Bos Natural Flavors Private Limited

June 02, 2021

#### Rating Upgraded & Assigned



<b>Total Bank Facilities Rated*</b>	Rs.60.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB+/ Outlook: Stable (Upgraded from ACUITE BBB/ Stable & Assigned)
<b>Short Term Rating</b>	ACUITE A2+ (Upgraded from ACUITE A2 & Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.55.61 Cr bank facilities of Bos Natural Flavors Private Limited (BNPL).

Acuité has also assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.4.39 crore bank facilities of BNPL. The outlook is '**Stable**'.

The upgrade in the rating reflects the improvement in the revenues in FY2021 (Provisional), improvement in the working capital operations and improvement in absolute operating profit and net profit in FY2021 (Provisional). The rating also reflects the comfortable financial risk profile with comfortable debt protection metrics, adequate liquidity position marked by judicious utilization of the working capital facilities and the future plans to acquire "Priyom brand" to venture into retail business which is expected to have a positive impact on revenues and margins.

#### About the Company

Perumbavoor (Kerala)-based, BNPL was incorporated in 2001 by Mr. O.S. Bobby and his wife Mrs. Shiny Bobby. The company is engaged in the business of manufacturing oleoresins and essential oils used primarily in medicine, food and cosmetic industries. In addition, the company also trades in various commodities such as chilly, pepper, ginger, cardamom, etc. In addition, the company also trades in various commodities.

#### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BNPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- Extensive experience of the promoters**

BNPL, promoted by Mr. Bobby and Mrs. Shiny Bobby, have more than a decade's experience in the spices & oleoresins industry. The company was incorporated in 2001 and was gradually expanded to the present total capacity of 3,000 metric tons per annum (MTPA) for spice oils and 5,000 MTPA for spice oleoresins at its plants situated in Kerala. BNPL has a competent management supported by a team of well qualified and experienced second line personnel. The promoter's experience in spices and oleoresins industry has helped the company in building healthy relationship with its suppliers and customers, to ensure a steady raw material supply and large offtake. The company has trade liaisons with customers in countries such as Vietnam, Sri Lanka, Morocco, Guatemala, etc. Exports generally accounts for around 70 percent of the total sales and the company exports to Europe, Russia, Middle East countries, Brazil & South Africa. BNPL reported revenue of Rs.127.78 crore in FY2021 (Provisional) against Rs.88.17 crore in FY2020 representing a CAGR of 19.72 percent over the last four years. Further, the management has a progressive business acumen reflected by the plans of diversification into retail business with recent brand acquisition of a well-known condiment brand based out of Kerala, named "Priyom". However, this plan is presently stopped due to the current market scenario but is expected to be completed post covid. Going forward, this is expected to augment the expansion of business operations.

Acuite believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

• **Comfortable financial risk profile**

Financial risk profile of BNPL is comfortable marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.87 times as on March 31, 2021 (Provisional) against 1.18 times as on March 31, 2020 on account of plough back of profits to reserves. TOL/TNW stood at 1.09 times as on March 31, 2021 (Provisional) against 1.62 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.37.41 crore as on March 31, 2021 (Provisional) against Rs.29.30 crore as on March 31, 2020. The total debt of Rs.32.73 crore as on March 31, 2021 (Provisional) mainly consists of long-term debt of Rs.10.72 crore, short-term debt of Rs.21.62 crore and unsecured loans of Rs.0.39 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 5.54 times and 0.30 times respectively in FY2021 (Provisional); while DSCR stood at 3.69 times in FY2021 (Provisional). Further, the company has not availed any covid loans / covid moratorium. Acuite believes that the financial risk profile of the company is expected to remain comfortable on account of modest net worth backed by healthy cash accruals vis-à-vis moderate debt repayment obligations and comfortable debt protection metrics.

**Weaknesses**

• **Working capital intensive operations**

BNPL's working capital operations have improved but are still intensive marked by Gross Current Asset days (GCA) of 143 days in FY2021 (Provisional) against 193 days in FY2020. The inventory days stood at 39 days in FY2021 (Provisional) against 118 days in FY2020. The inventory holding policy depends on raw materials and seasonality. The company generally maintains an average inventory holding policy of 2-2.5 months. The debtors' days improved and stood at 49 days in FY2021 (Provisional) against 72 days in FY2020. However, working capital bank lines remains utilized at ~60-90 percent for last trailing 13 months ended March, 2021. Acuite believes that BNPL's working capital intensive operations would be mitigated by the availability of adequate liquidity over the medium term.

• **Susceptibility of margins with respect to volatility in raw materials prices due to government regulations and foreign exchange**

BNPL's operating profitability is susceptible to volatility in raw material prices of black pepper, cardamom, chilli and other herbs and spices which are procured internationally i.e. from Morocco, Guatemala, Vietnam, to name a few, and also locally. Also, since BNPL is into both exports and imports of spices, it is regulated by the government (Spices Board India) thereby exposing it to a certain degree of regulatory risks. The company also exports around 70 percent which partially mitigates the foreign exchange fluctuation risk. The risk, however, continues to remain as the company does not actively hedge its balance foreign exchange exposure.

**Rating Sensitivities**

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

**Material Covenants**

None

**Liquidity: Adequate**

BNPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.5.87 crore – Rs.9.67 crore during the last four years through FY2018-21 against moderate repayment obligations in the range of Rs.0.65 crore – Rs.1.16 crore during the same period. It is expected to generate cash accruals in the range of Rs.10.87 crore – Rs.20.80 crore over the medium term, against moderate repayment obligations in the range of Rs.1.56 crore – Rs.1.92 crore. Unencumbered cash and bank balances stood at Rs.15.33 crore as on March 31, 2021 (Provisional) with a current ratio of 1.66 times in the same period. The working capital limits remained utilized at ~60-90 percent for last trailing 13 months ended March, 2021.

Acuite believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

**Outlook: Stable**

Acuite believes that BNPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its

margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

#### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	127.78	88.17
PAT	Rs. Cr.	8.04	6.41
PAT Margin	(%)	6.29	7.27
Total Debt/Tangible Net Worth	Times	0.87	1.18
PBDIT/Interest	Times	5.54	4.99

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

Not Applicable

#### 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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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 (Rs. Cr.)	Ratings/Outlook
11-Mar-2020	Cash Credit	Long Term	3.00	ACUITE BBB/ Stable (Assigned)
	Packing Credit	Short Term	9.50	ACUITE A2 (Assigned)
	Secured Overdraft	Long Term	25.00	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long Term	9.00	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB/ Stable (Assigned)
	Packing Credit	Short Term	5.50	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Assigned)

#### \*Annexure – Details of instruments rated

Name of the Facilities	Bank Name	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	SBI	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Packing Credit	SBI	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A2+ (Upgraded from ACUITE A2)

Name of the Facilities	Bank Name	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Canara Bank	Not Applicable	Not Applicable	Not Applicable	25.00*	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Term Loan	Canara Bank	Oct, 2019	10.10%	Jan, 2027	9.00	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Packing Credit	Federal Bank	Not Applicable	Not Applicable	Not Applicable	5.50#	ACUITE A2+ (Upgraded from ACUITE A2)
Term Loan	SIDBI	Feb, 2019	9.90%	Mar, 2024	0.53	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Term Loan	SIDBI	Mar, 2019	8.13%	Mar, 2024	0.58	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Term Loan	SIDBI	Feb, 2018	8.10%	Feb, 2024	1.50	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/ Stable)
Proposed Bank Facility	-	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE BBB+/ Stable (Assigned)
Bank Guarantee	Federal Bank	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2+ (Upgraded from ACUITE A2)
Letter of Credit	Federal Bank	Not Applicable	Not Applicable	Not Applicable	4.00@	ACUITE A2+ (Assigned)

#FD/UBP is sublimit of PC to the extent of Rs.5.00 crore. PCFC is sublimit of PC to the extent of Rs.5.50 crore. EBRD is sublimit of PC to the extent of Rs.5.00 crore.

@FBG/LOU is sublimit of LC to the extent of Rs.4.00 crore.

\*PCL/FDBP/FUBP/AABC is sublimit of SOD to the extent of Rs.10.00 crore. Import / Inland LC is sublimit of SOD to the extent of Rs.5.00 crore.

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## About Acuite Ratings & Research:

Acuite Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,704 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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