

Press Release

Bos Natural Flavors Private Limited

September 01, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	49.50	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BBB+' (read as ACUITE Triple B Plus) and short-term rating of 'ACUITE A2+' (read as ACUITE A two plus) on the Rs.60.00 crore bank facilities of BOS NATURAL FLAVOURS PRIVATE LIMITED (BNPL). The outlook is 'Stable'.

Rationale for Reaffirmation

The rating of BNPL takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and above average financial risk profile.

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

Acuite 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. 150.82 crore in FY2022 (Provisional) against Rs.125.69 crore in FY2021. 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". The plan was delayed due to COVID in FY21 and FY22 however the company is planning to enter the B2C segment in FY23 & FY24 on a trial basis and if the response from the market is promising then the company will increase its focus on the segment. Going forward, this is expected to augment the expansion of business operations.

Financial Risk Profile

BNPL has healthy financial risk profile marked by healthy net worth and above average debt protection metrics. BNPL's net worth stood at Rs. 44.65 Cr as on 31st March 2022(Prov.) as against Rs. 35.75 Cr as on 31st March 2021. Gearing levels (debt-to-equity) stood at 0.97 times as on March 31, 2022 as against 0.95 in FY 2021. Further, the interest coverage ratio stood strong at 4.07 times for FY2022 as against 3.77 times in FY2021 and Debt service coverage ratio improved and stood at 2.76 times in FY2022 in comparison to 2.56 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 1.19 times as on FY2022 vis-à-vis 1.44 times as on FY2021. However, Debt-EBITA stood at same level in FY 22 and 21 ie 2.25 times.

Weaknesses

Intensive working capital operations

BNPL has intensive working capital requirements as evident from gross current assets (GCA) of 157 days in FY2022 as compared to 161 days in FY2021 which is a minuscule improvement. Debtor days have moderated to 71 days in FY2022 as against 58 days in FY2021. The working capital limits are utilized at ~72 per cent during the last Six months and reflects liquidity cushion available with the company. Further, the current ratio of company stood at 1.56 times as on March 31, 2022.

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 Position

Adequate

BNPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Firm generated cash accruals of Rs. 10.14 crore for FY2022 (Prov.) as against Rs. 0.65 crore of repayment obligations for the same period. Current Ratio stood at 1.56 times as on 31 March 2022(Prov.) as against 1.46 times in the previous year. Further company has bank balance of Rs. 19.96 Cr. in current account as on March 31, 2022. The working capital limits are utilized at ~72 per cent during the past Six months and indicates the liquidity cushion available with the company Therefore, Company had adequate liquidity to meets its requirements.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	150.82	125.69
PAT	Rs. Cr.	8.90	6.44
PAT Margin	(%)	5.90	5.12
Total Debt/Tangible Net Worth	Times	0.97	0.95
PBDIT/Interest	Times	4.07	3.77

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2021	Packing Credit	Short Term	5.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	0.58	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	9.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	0.53	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	25.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Packing Credit	Short Term	9.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	0.39	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	1.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
11 Mar 2020	Term Loan	Long Term	3.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Assigned)
	Packing Credit	Short Term	5.50	ACUITE A2 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Assigned)
	Packing Credit	Short Term	9.50	ACUITE A2 (Assigned)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	25.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2+ Reaffirmed
Canara Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	22-02-2019	9.90	22-03-2024	0.53	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	04-10-2019	10.10	04-01-2024	9.00	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	26-03-2019	8.13	26-03-2024	0.58	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	27-02-2018	8.10	27-02-2024	1.50	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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