

Press Release
BOS NATURAL FLAVORS PRIVATE LIMITED
November 24, 2023
Rating Reaffirmed



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

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 FLAVORS PRIVATE LIMITED (BNFPL). The outlook is '**Stable**'.

The rating takes into account the stable operating income, improving EBITDA margin and healthy financial risk profile of BNFPL. The operating income of company has been stable over last two years ended FY2023. The Company's revenue stood at Rs.136.89 Cr in FY2023 as against Rs. 145.65 Cr in FY2022. The operating margins stood at 16.75 percent in FY2023 as against 10.85 percent in FY2022. The financial risk profile of the company continues to be healthy with healthy debt protection metrics and low gearing. The overall gearing of the Company stood at 0.42 times as on March 31, 2023 as against 0.99 times as on March 31, 2022. The interest coverage ratio stood at 10.15 times in FY2023 as against 7.23 times in FY2022.

The rating is however constrained by working capital operations, susceptibility of margins with respect to volatility in raw materials prices due to government regulations and foreign exchange.

About the Company

Perumbavoor (Kerala)-based, BNFPL 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 BNFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

BNFPL, 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. BNFPL 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. Acuité believes that the promoter's extensive industry experience and established relation with its customers and suppliers will aid BNFPL's business risk profile over the medium term.

- **Healthy financial risk profile**

The company's financial risk profile is healthy marked by a moderate net worth, healthy gearing and comfortable debt protection metrics. The net worth of the company stood at Rs.58.80 Cr and Rs.44.87 Cr as on March 31, 2023 and 2022 respectively. The improvement in net worth is due to accretion of reserves. Gearing of the company stood at 0.42 times as on March 31, 2023 against 0.99 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 10.15 times and 4.22 times as on March 31, 2023 respectively as against 7.23 times and 4.44 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 0.54 times and 1.17 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 1.08 times as on March 31, 2023 as against 2.79 times as on March 31, 2022. Acuité expects the financial risk profile of the company to remain healthy over the medium term on account in the absence of any major debt-funded capital expenditure.

Weaknesses

- **Working capital intensive operations**

BNFPL's working capital operations is intensive marked by high gross current Asset (GCA) at 166 days as on March 31, 2023 as against 171 days as on March 31, 2022, which is a minuscule improvement. The GCA days are impacted mainly on account of high cash and bank balance. Inventory days stood at 32 days as on March 31, 2023 as against 45 days as on March 31, 2022. Debtor day stood at 59 days as on March 31, 2023 as against 56 days as on March 31, 2022. Subsequently, the payable period stood at 14 days on March 31, 2023 as against 23 days as on March 31, 2022 respectively.

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

BNFPL'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 70-75 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.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics

All Covenants

None

Liquidity: Adequate

BNFPL liquidity is adequate marked by adequate net cash accruals to its maturing debt obligation. The company has generated cash accruals in the range of Rs.15.54 Cr in FY2023, while its maturing debt obligations were Rs. 1.96 Cr during the same period. Going forward the company is expected to generate net cash accruals of Rs. 14- 16 Cr in FY 2024-25 against Rs.1.93-2.01 Cr debt obligations. The current ratio stood at 2.41 times as on March 31, 2023, and the limits remains utilized at 32 percent over the 12 months ended october 31, 2023 for fund based. The company maintains unencumbered cash and bank balances of Rs.18.89 Cr as on March 31, 2023. Acuité believes that the liquidity of the company is likely to improve over the medium term

Outlook: Stable

Acuité believes that BNFPL 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	136.89	145.65
PAT	Rs. Cr.	13.93	9.11
PAT Margin	(%)	10.17	6.26
Total Debt/Tangible Net Worth	Times	0.42	0.99
PBDIT/Interest	Times	10.15	7.23

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Sep 2022	Term Loan	Long Term	0.58	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.39	ACUITE BBB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	0.53	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	9.50	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Reaffirmed)
	Packing Credit	Short Term	5.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Reaffirmed)
02 Jun 2021	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)
	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)
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)
		Short		

	Packing Credit	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	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.50	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A2+ Reaffirmed
Federal Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.04	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.35	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.58	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.53	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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