

Press Release
BHANU AGRO
February 04, 2022
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.50	ACUITE BB Stable Assigned	-
Bank Loan Ratings	10.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	16.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.10.00 Cr. bank facilities of Bhanu Agro (BA). The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.6.50 Cr. bank facilities of Bhanu Agro (BA). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating has been reaffirmed on account of augmentation in the business risk profile marked by improvement in the scale of operations and adequate liquidity position. The rating also factors in the stabilization in the operations of the newly set up refining unit and extensive experience of promoters in the edible oil industry. However, the rating is constrained by limited track record of operations, net losses incurred by the firm, susceptibility of margins towards raw material price volatilities and intense competition.

About the Company

Gujarat based Bhanu Agro was established in December 2017 as a partnership firm promoted by Mr. Kishor Valjibhai Bhanushali, Mr. Vasant Valjibhai Bhanushali and Mr. Valjibhai Chandulal Bhanushali. The firm has been established to carry on the business of refining edible oil from crude palm oil and trading of edible oil.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Bhanu Agro to arrive at the rating.

Key Rating Drivers

Strengths

Entrepreneurial experience of promoters

Bhanu Agro is a partnership firm established by Mr. Valjibhai Chandulal Bhanushali and his sons. The day to day operations are managed by Mr. Kishor Bhanushali and Mr. Vasant

Bhanushali, who have over two decades of experience in the trading of edible and non-edible oil business. The project is a backward integration to the promoters existing business of oil trading carried on under M/s Odhavram Trading and M/s Tushar Enterprise. Bhanu Agro shares strong operational linkages and common customers and suppliers with other entities controlled by promoters

Acuité believes that the promoters established track record in the oil trading industry along with strong operational linkages with other entities controlled by promoters will support the business risk profile of the firm.

Augmentation in business risk profile

The revenue from operations of the firm improved significantly with ~506 percent YoY to Rs.80.46 Cr. in FY21 (Provisional) as against Rs.13.28 Cr. in FY20. The increase in revenues was majorly on account of fully commenced of its operations during FY21 with higher utilization levels and healthy growth in demand from the edible oil industry. The firm commenced its operations from Sep, 2019 with a low utilization. The operating profit margin of the firm declined and stood at 3.73 percent in FY21 (Provisional) against 8.04 percent in FY20 on account of increase in raw material costs and other expenses. However, the firm was able to generate profit in FY21 (Provisional) which stood at Rs.0.31 crore against loss of Rs.0.75 Cr. in FY20. Also, the company generated revenues of Rs.91.89 Cr. till 8MFY22 on account of improvement in demand post covid-19 second wave.

Acuité believes that the business risk profile of the firm is expected to improve in the medium term on account of stabilization of its operations and healthy demand from edible oil industry.

Proximity to raw materials

The firm purchases crude palm oil from the suppliers at Kandla port, which is the major centre in the country where imported crude palm oil is available. The refinery unit is set up closer to the Kandla port, in Kutch Gandhidham, ensuring quick supply of raw materials at competitive rates.

Weaknesses

Moderate financial risk profile

The firm has a moderate financial risk profile mainly marked by low net worth, moderate gearing and debt protection matrices. The tangible net worth of the firm stood low at Rs.5.79 Cr. as on 31 March, 2021 (Provisional) as against Rs.5.56 Cr. same period last year. The gearing of the firm marginally increased to 1.78 times as on 31 March, 2021 (Provisional) as against 1.67 times same period last year on account of increase in total debt levels of the firm. The total debt as on 31 March, 2021 (Provisional) consist of working capital limits from banks of Rs.2.90 Cr. and long term borrowings from banks of Rs.7.34 Cr. The debt coverage ratios remain moderate marked by Interest Coverage Ratio (ICR) which improved to 3.42 times for FY21 (Provisional) as against 2.29 times for FY20 and Debt Service Coverage Ratio which also marginally improved to 2.43 times for FY21 (Provisional) as against 2.29 times for FY20. Further, the TOL/TNW marginally improved to 2.17 times as on 31 March, 2021 (Provisional) as against 2.65 times same period last year.

Acuité believes that the financial risk profile will remain moderate in the medium term mainly due to moderate profitability and moderate debt structure.

Limited track record of operations and susceptible of margins towards volatility in raw material prices

The promoter's decision to commence oil refining through Bhanu Agro in December 2017 was the first step in the refining business and is a backward integration to their existing trading business of edible and non-edible oils carried out under other entities controlled by promoters. The firm is in the nascent stage of refining business since its commercial operations have just started from September 2019. Bhanu Agro is yet to establish a successful track record in the oil refining segment and is likely to face stiff competition from the existing large and established players in the refining segment.

Further, the key raw material for the firm is raw palm oil which is susceptible to regulatory risk and price fluctuations which will likely impact the operating margins. The demand and supply of raw palm oil which is impacted by global macroeconomic factors have a significant impact on prices and the availability of crude palm oil.

The firm's ability to establish relations with vendors and customers along with its ability to manage fluctuations in the prices of raw materials will be a key rating sensitivity.

Rating Sensitivities

- Improvement in revenues and profitability backed by healthy demand from edible oil industry
- Deterioration in financial risk profile

Material covenants

None

Liquidity Position: Adequate

The firm has adequate liquidity position marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.2.13 Cr. in FY21 (Provisional) against matured debt obligations of Rs.0.78 Cr. in the same period. The firm has efficiently managed the working capital operations reflected by GCA days of 28 days for FY21 (Provisional). The utilization of working capital limits remains moderate at around 62 per cent in last six months ended Nov, 21. The firm maintained cash and bank balances of Rs.0.01 Cr. as on 31 March, 2021 (Provisional) and the current ratio stood moderate at 1.20 times during the same period. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate net cash accruals against its matured debt obligations.

Outlook: Stable

Acuité believes that Bhanu Agro will maintain a Stable credit profile over the medium term on the back of established presence of promoters in oil trading and the synergies with other promoter owned entities. The outlook may be revised to 'Positive' in case the firm is able to demonstrate higher than expected growth in scale of operations in a profitable manner. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and net cash accruals leading to deterioration in the financial risk profile, particularly liquidity.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	80.46	13.28
PAT	Rs. Cr.	0.31	(0.75)
PAT Margin	(%)	0.38	(5.66)
Total Debt/Tangible Net Worth	Times	1.78	1.67
PBDIT/Interest	Times	3.42	2.29

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
23 Jun 2021	Term Loan	Long Term	7.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	3.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
20 Mar 2020	Term Loan	Long Term	7.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB Stable Assigned
Punjab and Sind Bank	Not Applicable	Term Loan	01-02-2019	7.95	01-03-2026	7.00	ACUITE BB Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Working Capital Term Loan	Not available	7.50	Not available	1.50	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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