

Press Release
Bhanu Agro
July 31, 2024
Rating Reaffirmed



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

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BB' (read as ACUITE double B)** on the Rs. 16.50 crore bank facilities of Bhanu Agro (BA). The outlook remains **'Stable'**.

Rationale for Rating

The rating reaffirmation takes into account the improving operating income, albeit fluctuating operating profitability of Bhanu Agro over the last three years ended FY2024. The revenue of the firm stood at Rs. 360.67 crores in FY2024 (Prov.) as against Rs. 226.43 crores in FY2023 and Rs. 154.03 crores in FY2022. The EBITDA margins stood at 1.77 percent in FY2024 (Prov.) as against 2.41 percent in FY2023 and 2.12 percent in FY2022. The lower margins in FY2024 (Prov.) are a result of higher raw material prices and decline in the sales realisation price. The financial risk profile of the firm is average with low networth, improved but high gearing and average debt protection indicators.

The rating continues to draw comfort from the ability of the firm to maintain an efficient working capital cycle and the extensive experience of the promoters in the edible oil industry.

About the Company

Gujarat based Bhanu Agro was established in December 2017 as a partnership firm by Mr. Kishor Valjibhai Bhanushali, Mr. Vasant Valjibhai Bhanushali and Mr. Valjibhai Chandulal Bhanushali. The firm is engaged in the business of refining edible oil from crude palm, soyabean, sunflower and trading of edible oil. The firm sells its products in the market under their brand names 'Bhanu Tasty' and 'Rich Lite.' The firm has its plant located in Gandhidham with oil refining capacity of 300 MTPD. Bhanu Agro has also set up a depot in Ahmedabad to expand their business further.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive experience of the promoters

BA is a partnership firm established in 2017 by Mr. Valjibhai Chandulal Bhanushali and his sons. The day-to-day operations are managed by Mr. Kishor Bhanushali and Mr. Vasant Bhanushali, who possess over two decades of experience in the trading of edible and non-edible oil business. The firm is a backward integration to the promoters existing business of oil trading carried on under M/s Odhavram Trading and M/s Tushar Enterprise. BA shares strong operational linkages and common customers and suppliers with other entities controlled by the 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.

Efficient Working Capital Management

The operations of Bhanu Agro are working capital efficient, marked by GCA days of 33 days on March 31, 2024 (Prov.) as against 49 days on March 31, 2023. GCA days are driven by inventory and debtor days. The inventory days stood improved at 20 days on March 31, 2024 (Prov.) as against 34 days on March 31, 2023. Debtor collection period stood improved at 5 days on March 31, 2024 (Prov.) as against 14 days on March 31, 2023. The creditor days stood at 3 days on March 31, 2024 (Prov.) as against 2 days on March 31, 2023.

Acuite believes that the working capital cycle of Bhanu Agro will remain efficient in the near to medium term.

Augmented revenue growth albeit narrow profitability margins.

There has been a significant increase in the revenue of Bhanu Agro in the past three years. The revenue of the firm has increased from Rs. 154.03 crore in FY2022 to Rs. 226.43 crore in FY2023 to Rs. 360.67 crore in FY2024 (Prov.). The sales volume of the firm increased to 29,551 MT in FY2024 (Prov.) as against 16,218 MT in FY2023. The EBITDA margin, however, has declined due to increased raw material prices. EBITDA margin stood at 1.77 percent in FY2024 (Prov.) as against 2.41 percent in FY2023. The PAT margin has declined marginally due to increase in the finance costs. The PAT margin stood at 0.67 percent in FY2024 (Prov.) as against 0.71 percent in FY2023.

Acuité believes that the ability of BA to maintain its scale of operations while improving its operating and profitability margins will remain a key rating sensitivity factor.

Weaknesses

Average Financial Risk Profile

Bhanu Agro has an average financial risk profile, marked by low networth, improved albeit high gearing and average debt protection metrics. The networth of the firm stood at Rs. 11.93 crore on March 31, 2024 (Prov.) as against Rs. 11.03 crore on March 31, 2023. The partners had withdrawn capital of Rs. 1.52 crore in FY2024 (Prov.). The gearing stood at 2.35 times on March 31, 2024 (Prov.) as against 2.64 times on March 31, 2023. TOL/TNW stood improved at 2.61 times on March 31, 2024 (Prov.) as against 2.81 times on March 31, 2023. Debt-EBITDA stood at 4.13 times on March 31, 2024 (Prov.) as against 5.08 times on March 31, 2023.

The coverage indicators stand marginally improved, with Interest Coverage ratio at 2.43 times on March 31, 2024 (Prov.) as against 2.35 times on March 31, 2023. The Debt Service Coverage Ratio stands at 1.73 times on March 31, 2024 (Prov.) as against 1.59 times on March 31, 2023.

Acuite believes that the financial risk profile of Bhanu Agro will remain average in absence of any major debt funded capex plan.

Susceptibility of profitability margins towards volatility in raw material prices and foreign exchange fluctuation risk

The firm has recently begun to import key raw materials; raw palm oil from Indonesia and Malaysia along with soyabean from Brazil, USA, etc. As a result, the firm's business is exposed to fluctuations in foreign exchange rate. Further, the prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers.

Rating Sensitivities

- Ability to improve profitability margins while maintaining scale of operations
- Ability to improve the financial risk profile

Liquidity Position Adequate

The firm has an adequate liquidity position marked by sufficient Net Cash Accruals (NCAs) against maturing repayment obligations. The firm generated NCAs worth Rs. 4.01 crore in FY2024 (Prov.) against maturing repayment obligations of Rs. 1.14 crore for the same period. The firm is expected to generate NCA in the range of Rs. 7.00 to 14.00 crore in FY2025 – 2026 against maturing repayment obligations in the range of Rs. 1.26 to 1.42 crore for the same period. The current ratio stood at 1.68 times on March 31, 2024 (Prov.) as against 1.70 times on March 31, 2023. The average bank limit utilisation stands at ~91 percent for six months ended June 2024. The firm has an unencumbered cash and bank balance of Rs. 0.03 crores on March 31, 2024 (Prov.).

Outlook: Stable

Acuité believes that Bhanu Agro will maintain 'Stable' outlook over the medium term on account of established presence of its promoters in oil trading and the synergies with other promoter owned entities. The outlook may be revised to 'Positive' in case of better than expected growth in profitability margins while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements or excess withdrawal of capital by the promoters.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	360.67	226.43
PAT	Rs. Cr.	2.42	1.60
PAT Margin	(%)	0.67	0.71
Total Debt/Tangible Net Worth	Times	2.35	2.64
PBDIT/Interest	Times	2.43	2.35

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>
- Manufacturing Entities: <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
04 May 2023	Term Loan	Long Term	4.44	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.96	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.30	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	9.80	ACUITE BB Stable (Reaffirmed)
04 Feb 2022	Term Loan	Long Term	7.00	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.50	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB Stable (Assigned)
23 Jun 2021	Cash Credit	Long Term	3.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	7.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.13	ACUITE BB Stable Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	01 Mar 2019	Not avl. / Not appl.	28 Feb 2026	Simple	2.37	ACUITE BB Stable Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Working Capital Term Loan	31 Mar 2022	Not avl. / Not appl.	30 Mar 2027	Simple	1.00	ACUITE BB 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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