

## Press Release

### Bhagwati Industries

April 07, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	18.00	-	ACUITE A3+   Reaffirmed
Bank Loan Ratings	46.77	ACUITE BBB   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>79.77</b>	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	<b>0.00</b>	-	-

\*Refer Annexure for details

### Rating Rationale

Acuite has assigned and reaffirmed the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and the short-term rating of '**ACUITE A3+**' (read as ACUITE A three plus) on the Rs.79.77 Cr bank facilities of Bhagwati Industries (BI). The outlook remains '**Stable**'.

The rating on BI takes into account the strong business profile of the Sainath Group marked by experienced management, established track record of operations and diversified geographical presence. The rating is further supported by its comfortable financial risk profile characterized by moderate networth, comfortable gearing and strong debt protection metrics. These strengths are however, partly offset by the group's moderate profitability margins and susceptibility to agro climatic risk, regulatory risk and forex fluctuation risk.

### About Company

Established in 1990, Bhagwati Industries (BI) is a partnership firm, engaged in rice milling. Its manufacturing facilities are situated in Raipur with installed capacities of 24 MT per hour. The operations are managed by Mr. Rajesh Kumar Agrawal, Mr. Rohit Agrawal and Mr. Anand Kumar Agarwal and other family members. Recently, the firm has forward integrated and set up a 200 TPD rice bran solvent extraction plant to manufacture crude bran rice oil, which will commence operations from Apr'22. In addition, in FY21, 1 MW solar power plant was installed in-house to meet the power requirement of the unit.

### About the Group

Sainath group is a Raipur based group engaged in rice milling and trading. The group consists of Bhagwati Industries (BI) and Sri Sainath Industry Private Limited (SSIPL). The group was started by Mr. Rameshwar Das Agarwal and currently the overall operations of the group are

managed by the second and third generation of the Agarwal family along with a set of experienced professionals.

Incorporated in 2007, Sri Sainath Industry Private Limited (SSIPL), is a well-established exporter of Indian non-basmati rice. The company is a three star export house recognized by the Ministry of Commerce and Industry. The company procures rice from the local players and Bhagwati Industries (BI) and exports to different countries of Asia and Africa.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the consolidated business and financial risk profiles of BI and SSIPL, together known as Sainath Group, to arrive at this rating. The consolidation is on account of common promoters, similar line of business and significant operational linkages between them.

## **Key Rating Drivers**

### **Strengths**

#### **Vast experience of the management and established track record of operations**

The promoters of the group, Mr. Rohit Agrawal and Mr. Anand Kumar Agarwal have more than three decades of experience in rice milling and trading. The group has forward integrated and installed a solvent plant which will improve the business risk position of the group further. Acuité believes the long track record of operations and experience of management has helped the company to develop a healthy relationship with its customers and suppliers and will continue to support the business over the medium term.

#### **Moderate working capital cycle**

The moderate working capital management of the group is marked by Gross Current Assets (GCA) of 92 days in FY2021 as compared to 69 days in FY2020. The debtor period stood comfortable at 51 days in FY2021 as compared to 40 days in FY2020. The inventory holding stood efficient at 22 days in FY2021 as compared to 17 days in FY2020. The group maintains minimum inventory as their manufacturing units are located to the close vicinity of rice producing area. Acuité believes that the working capital operations of the group will remain at similar levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

#### **Increase in the scale of operations**

The scale of operations of the group improved to Rs.591.52 Cr in FY21 as against Rs.354.48 Cr in FY20 and Rs.425.16 Cr in FY19, thereby registering a 2-year CAGR of 18 per cent in FY21. Further, revenue of the group stood strong at Rs.468.93 Cr till Dec'21 (prov.). There has been high export demand of non-basmati rice as prices are significantly cheaper in India than other countries like Thailand and Malaysia. Around 90 per cent of the group's revenue is generated from exports. Apr'23 onwards, Bhagwati Industries will process in-house rice bran to manufacture rice bran crude oil, which in turn is expected to boost the overall scale of operations of the group, going forward.

### **Weaknesses**

#### **Susceptibility to agro climatic risk, regulatory risk and forex fluctuation risk**

The group derives 80-85 percent of its revenue from exports to Middle East countries such as Saudi Arabia and Dubai along with African countries. As a result the group's revenue profile is exposed to regulatory risk arising from changes in other countries' procurement policies. Further, profitability is susceptible to government policies such as minimum support prices in the domestic market. Increase in minimum support price coupled with any adverse movement in forex rates can impact the price competitiveness vis-a-vis other rice exporting countries. Thus, the volatility in prices is an inherent risk for the company that can affect its revenue and profitability profile. Since paddy is an agro commodity, the group is also exposed

to agro climatic risks.

### Rating Sensitivities

- Successful operationalization of the solvent plant.
- Sustenance of growth in the scale of operations while improving its profitability margin

### Material Covenants

None

### Liquidity Position: Adequate

The group's liquidity position is adequate marked by adequate net cash accruals of Rs.13.90 Cr as on March 31, 2021 as against long term debt repayment of Rs.2.82 Cr over the same period. The current ratio stood comfortable at 1.55 times as on March 31, 2021 as compared to 2.15 times as on March 31, 2020, due to high CPLTD. The fund based limit remains utilised at 80 per cent over seven months ended February, 2022. The group had free cash and bank balance of around Rs.0.36 Cr as on March 31, 2021. The group availed Covid loan of Rs.14.35 Cr and a loan moratorium. Going forward, Acuité believes the liquidity position of the group will be improve over the medium term marked by enhanced net cash accruals.

### Outlook: Stable

Acuité believes that the outlook on Sainath Group will remain 'Stable' over the medium term backed by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the group registers more than envisaged sales and profitability while maintaining its working capital cycle. The outlook may be revised to 'Negative' in case the group achieves significantly lower than the expected revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates over the medium term.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	591.52	354.48
PAT	Rs. Cr.	10.17	3.35
PAT Margin	(%)	1.72	0.95
Total Debt/Tangible Net Worth	Times	1.01	0.42
PBDIT/Interest	Times	3.95	2.54

### About the Rated Entity - Key Financials (Standalone)

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	216.42	133.85
PAT	Rs. Cr.	1.34	0.51
PAT Margin	(%)	0.62	0.38
Total Debt/Tangible Net Worth	Times	0.96	0.93
PBDIT/Interest	Times	2.66	2.00

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

- CRISIL, vide its press release dated Feb 26, 2021 had denoted the rating of Bhagwati Industries as 'CRISIL BB/Stable/A4+; ISSUER NOT COOPERATING'.

### Any Other Information

Not Applicable

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

[53.htm](#)

- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Apr 2021	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Working Capital Term Loan	Long Term	3.27	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	11.50	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	18.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	17.00	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
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.11	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	11.66	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	ACUITE BBB   Stable   Assigned

## Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuите.in">pooja.ghosh@acuите.in</a>  Sonal Modi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:sonal.modi@acuите.in">sonal.modi@acuите.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuите.in">rating.desk@acuите.in</a>

### About Acuité Ratings & Research

Acuité 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 8,850 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 Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.