

Press Release

Bhagwati Industries

March 03, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.77	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	18.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	79.77	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the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The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

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

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.

Increase in revenues along with profitability margins.

The company's operating income stood at Rs. 762.17 Cr. as on 31st March 2022 as compared to Rs. 591.52 Cr. as on 31st March 2021. Further, the operating margin of the company stood at 4.64 per cent as on 31st March 2022 as compared to 3.88 as on 31st March 2021. The PAT margin rose to 2.70 per cent on 31st March 2022 as compared to 1.72 per cent 2021. The RoCE of the company stood at 21.17 per cent as on 31st March 2022 as compared to 17.71 per cent as on 31st March 2021.

Strategic location of the plant

The key raw material is the paddy, which is mostly procured from the wholesale grain markets in Chhattisgarh during the paddy buying season. The group also procures paddy from Odisha, West Bengal and Bihar based on market dynamics. The units are located at Raipur which is in close proximity to the paddy growing districts of Chhattisgarh giving the firm location and logistical advantage. Favourable location of the plant ensures timely availability of raw material saving on logistics costs.

Weaknesses

Vulnerability in agro climate risk, regulatory risk and forex fluctuation risk

Vulnerability of ecosystems and people to climate change is driven by certain unsustainable development patterns such as "unsustainable ocean and land use, inequity, marginalization, historical and ongoing patterns of inequity such as colonialism, and governance" 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

None

Material Covenants

None

Liquidity position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.23.53 Cr as on 31st March 2022 as against Rs. 13.52 Cr. long-term debt repayment during the same period. The current ratio stood at 1.64 times as on 31st March 2022, as compared to 1.55 times as on 31st March 2021. The cash and bank balances stood at Rs. 4.53 Cr. 31st March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 108 days as on 31st March 2022 as compared to 92 days as on 31st March 2021, due to high other current asset. Acuite believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	762.17	591.52
PAT	Rs. Cr.	20.57	10.17
PAT Margin	(%)	2.70	1.72
Total Debt/Tangible Net Worth	Times	1.27	1.01
PBDIT/Interest	Times	5.16	3.95

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

None

Any Other Information

None

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

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
07 Apr 2022	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	6.11	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	11.66	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE A3+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.11	ACUITE BBB Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.66	ACUITE BBB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BBB Reaffirmed & Withdrawn

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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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