



Press Release
BRFM INDIA PRIVATE LIMITED
August 19, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.70.00 Cr. bank facilities of BRFM India Private Limited (BRFM). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the experience of the promoters in flour milling industry, company's established relationships with brands like Nestle and Parle. Further rating also factored in the improvement in operating margin in FY24, location advantage of the new unit in Bangalore. However, rating is constrained by below average financial risk profile, customer concentration risk, stretched liquidity and susceptibility of profitability to competitive industry and fluctuations in raw material prices.

About the Company

Incorporated in 1978, BRFM India Private Limited (BRFM) (erstwhile Belgaum Roller Flour Mills (P) Limited) is a four-decade old company founded by Mr. B Shantilal and is based in Karnataka. BRFM is engaged in the manufacturing of wheat products namely Maida (Wheat Flour), Suji (Semolina), Atta (Resultant Atta), Bran (Wheat Bran) and Chakki Atta (Whole Wheat Atta).

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BRFM India Private limited for arriving at the rating.

Key Rating Drivers

Strengths

Experienced promoters and established track record of operations

BRFM India Private limited (BRFM) is managed by Mr. Sunil Jain and Ms.Ritu Jain.The promoters of the company have been engaged in same industry for more than three decades in flour milling industry. The extensive experience of the promoters is reflected in their established relationships with key customers like Nestle, Parle and ITC. The revenue for the company is backed by stable and repeat orders from its key customers. The company's manufacturing facility is located in Belgaum with grinding capacity of 42000 MTPA. In FY24, the company has

set up a new flour mill at Dobbaballapur, Bangalore with a grinding capacity of 72000 MTPA taking the total installed capacity to 114,000 MTPA. The company is engaged in the manufacturing of wheat products namely wheat flour, suji, atta, bran, and chakki atta. Company procures its major raw material (wheat) from dealers and the Food Corporation of India. The company also markets products under the brand name "Double Parrots", "Mango Tree" and "Baker Boy".

Weaknesses

Below Average financial risk profile

BRFM's financial risk profile is below average marked by below average capital structure and coverage indicators. BRFM's net-worth stood modest at Rs.17.67 Cr. as on 31st March 2024 (Prov) as against Rs.11.57 Cr. as on 31st March 2023. Increase in net worth is due to accretion of profits during the year. The networth levels have remained modest due to the modest scale of operations and margins. The total debt of Rs.63.20 Cr. as on March 2024 (Prov) consists of long-term debt of Rs. 31.56 Cr, USL of 12.66 Cr, short-term debt of Rs. 13.44 Cr. and CPLTD of Rs.5.55 Cr. The debt protection metrics stood moderate with Interest coverage ratio (ICR) and Debt service coverage ratio (DSCR) at 1.86 times and 1.18 times respectively for FY2024 (Prov) as against 2.11 times and 1.32 times respectively for FY2023. The net cash accrual (NCA) to total debt (TD) is 0.04 times as on March 31 st 2024 (Prov) as against 0.03 times as on March 31 2023. The total outside liabilities to tangible net worth (TOL/TNW) stood at 4.21 times as on March 31 st 2024 (Prov) as against 5.25 times as on March 31 st 2023. Acuite believes that company's financial risk profile remains below average in the medium term on account of debt laden capex during the previous year.

Working capital intensive nature of operations

BRFM's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of 132 days in FY24 (Prov) as against 136 days in FY23 and 78 days in FY22. GCA days are majorly dominated by high inventory days which stood at 87 days in FY24 (Prov) as against 93 days in FY23 and 53 days in FY22. Debtor days of stood at 18 days in FY24 (Prov), FY23 as against 12 days in FY22. In order to support its working capital requirements group has extended its creditor days to 49 days in FY24 (Prov) as against 72 days in FY23 and 22 days in FY22. Moderate working capital operations has led to high utilization of its working capital limits of around 95 percent over the past 12 months ending May 2024. Acuite believes that working capital operations of the company continue to remain intensive in medium term.

Susceptibility of profitability to competitive industry and fluctuations in raw material prices

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the flour milling industry as well as several unorganized players, which can have an impact on the bargaining powers with the customers and hence on the margins. Profitability margins are also susceptible to raw material price fluctuation and on the proportion of trading and processing activities of the company.

Rating Sensitivities

- Stabilization of operations of new unit in Bangalore
- Sustainability in their growth in scale of operations and increase in operating margins
- Elongation in working capital cycle leading to stretch in liquidity
- Deterioration in the capital structure

Liquidity Position: Adequate

The liquidity position of the company is stretched. The company has generated cash accruals of Rs. 2.53 Cr. in FY2024 as against its repayment obligations of Rs.1.71 Cr. during the same period. BRFM's current ratio stood at 0.98 times as on 31 st March 2024 (Prov) and has a cash and bank balance of Rs. 1.14 Cr. as on 31 st March 2024 (Prov). The group's GCA days are ranging around 78 to 136 days making it moderately dependent on bank borrowings for its

working capital requirements. Moderate working capital operations has led to high utilization of its working capital limits of around 95 percent over the past 12 months ending May 2024. The company has an unencumbered cash and bank balance of Rs. 0.14 Cr. as of March 31, 2024 (prov). Acuite believes that liquidity of the company is likely to remain stretched over medium term on account of modest cash accruals against its repayment obligations.

Outlook: Stable

Acuité believes that BRFM will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, location advantage, and marquee client base. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, or stretch in the working capital cycle or lower than expected cash accruals.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	66.54	58.93
PAT	Rs. Cr.	0.96	0.52
PAT Margin	(%)	1.44	0.88
Total Debt/Tangible Net Worth	Times	3.58	4.33
PBDIT/Interest	Times	1.86	2.11

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB Stable Assigned
Standard Chartered Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.73	ACUITE BB Stable Assigned
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	05 May 2023	Not avl. / Not appl.	05 May 2028	Simple	6.26	ACUITE BB Stable Assigned
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	31 May 2024	Not avl. / Not appl.	15 Jun 2039	Simple	4.30	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Jan 2021	Not avl. / Not appl.	25 Jan 2028	Simple	0.99	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Jan 2021	Not avl. / Not appl.	30 Jul 2031	Simple	5.12	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Jan 2021	Not avl. / Not appl.	30 Sep 2032	Simple	12.64	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Oct 2026	Simple	0.64	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	14 Mar 2022	Not avl. / Not appl.	01 Apr 2030	Simple	5.07	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	11 Jan 2024	Not avl. / Not appl.	31 Mar 2031	Simple	2.86	ACUITE BB Stable Assigned
Deutsche Bank	Not avl. / Not appl.	Working Capital Term Loan	07 Jul 2023	Not avl. / Not appl.	06 Jul 2026	Simple	0.39	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 rakesh.reddy@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.