



Press Release
BHAGWATI AGROCHEM PRIVATE LIMITED
August 20, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	600.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	9.60	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	609.60	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 609.60 Cr. bank facilities of Bhagwati Agrochem Private Limited (BAPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established presence and experience of the management of the Bhagwati group in the food processing industry with the help of the company having exposure to the same suppliers and customers of the group. The rating further factors in the commencement of the phase 1 of operation by October 2024. Further, the rating also factors in the successful debt tie up by the company which will help the company achieves its complete COD as planned. These strengths are however offset by the nascent stage of the operations for the company along with risk of any significant increase of project cost or any delay in the timely execution of the same affecting the financial risk profile or the company. The rating also factors in the presence of the company in a highly competitive & fragmented agro -processing business with a high level of government control.

About the Company

Bhagwati Agrochem Private Limited (BAPL) is a private limited company incorporated with an objective to carry on the business of food processing, rice shelling, wheat flour, atta chaki, solvent extraction and oil refinery. BAPL is a group company of established Bhagwati Group of

Punjab, who is already in the business of food processing industry for the last three decades. The current directors of the company are Mr. Sushil Mittal Director and Mr. Sameer Mittal.

Unsupported Rating

ACUITE BB- (Stable) / ACUITE A4

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BAPL to arrive at the rating. Further, Acuite has also factored in the corporate guarantee given by Bhagwati Lacto Vegetarian Exports Private Limited (BLVEPL) to the loan taken by BAPL.

Key Rating Drivers

Strengths

Experienced Management and established track record of Bhagwati Group.

Bhagwati group was established in 1991 with a partnership firm namely M/s Bhagwati Rice Mills at Ferozepur, Punjab. Later, during the year 2008, after the opening of export market for Basmati Rice Bhagwati group had set up a new Modern Rice Mill In the name of Bhagwati Lacto Vegetarian Exports Private Limited (BLVEPL). The major turnover of the group is from the overseas market. The promoters of the group have vast experience in the food processing industry and along with that the group also has well established network of customers and suppliers. The company BAPL is incorporated to expand the production volume of the group and to add some product in the line of activity like Wheat Flour, Atta and oil. For this, the company is current constructing a Food Park at Narmdapuram, Madhya Pradesh. The company is expected to achieve a part COD for the phase 1 of operation in October 2024, which will start generating revenue for the company from the current financial year itself. Along with this the company is estimated to receive various government subsidies after the achievement of final COD which is planned for April 2026.

Acuite believes that the established presence and experience of the promoters of the Bhagwati group will help the company after commencement of the commercial operations.

Low funding risk

The Company BAPL had started the construction of the manufacturing facility in May 2023 with an estimated project cost of Rs.803.97 crore. For this the company has already sanctioned Rs.600 crore of the debt funding from various banks. Further, as of May 2024, the company has already expensed Rs.254.72 crore which was funded by Rs.120 crore from the disbursement of term loan and remaining was brought in by the promoters in the form of equity.

Acuite believes that with the successful tie up of debt funding, required for the completion of project, the company will be able to incur the capex as planned.

Weaknesses

Nascent stage of the project

The company BAPL was incorporated in April 2021 to set up a food park at Narmdapuram district of Madhya Pradesh. Currently the company is constructing its manufacturing unit and the commercial operation of the same is expected to be started from April 2026. BAPL had a planned capex of Rs.803.97 crore, for this the company had already tied for debt financing. Going ahead any significant changes in the total project cost will have to be bought in by the promoters of the company.

Acuite believes that the significant amount of implementation risk for the project still exist and will act as a key rating sensitivity for the company.

Highly competitive and fragmented industry affected by agro climatic risks

The Agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barriers resulting in intense competition from both the organized as well as unorganized players. Paddy, which is the main raw material required for rice, is a seasonal crop and adequate and timely availability is highly dependent upon monsoon. Thus, inadequate or erratic rainfall may have a bearing on availability as well as pricing of paddy and have a bearing on the pricing of rice as well as the profitability. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.

Rating Sensitivities

Timely execution of planned capex

Liquidity Position Adequate

The liquidity of the company stands adequate currently as the company has received sanctioned for the capex planned. Further the company has started taking disbursement for the same and will continue as the project execution moves ahead. Further, the interest cost for the debt during the implementation phase is already accounted in the total project cost.

Outlook: Stable

Acuite believes the outlook on BAPL will continue to remain 'Stable' over the medium term backed by its experienced promoter and established track record of Bhagwati Group. The

outlook may be revised to 'Positive' if the company is able to timely complete the ongoing capex in the company. Conversely, the outlook may be revised to 'Negative' in case of any significant increase in the amount of capex, affecting the financial risk profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.50	96.00
PBDIT/Interest	Times	0.00	0.00

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, Acuité 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
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.60	ACUITE A4+ Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Dec 2036	Simple	260.00	ACUITE BB Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Dec 2036	Simple	150.00	ACUITE BB Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Dec 2036	Simple	100.00	ACUITE BB Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	30 Mar 2024	Not avl. / Not appl.	31 Dec 2036	Simple	90.00	ACUITE BB Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Bhagwati Lacto Vegetarian Exports Private Limited
2	Bhagwati Agrochem Private Limited

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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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