Press Release

B. N. Agritech Limited

April 03, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	528.97 (Reduced from Rs. 539.22 Cr.)	IVR BBB+ / Positive Outlook (IVR Triple B Plus with Positive outlook)	Reaffirmed with revision in outlook from Stable to Positive	Simple
Total	**528.97 (Rupees Five hundred and twenty-eight crores and ninety-seven lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed its rating on bank facilities due to sustained improvement in financial performance during FY23. The rating continues to derive strength from experienced promotors, diversified product portfolio with strong market presence in northern India, healthy growth in operations, steady growth in networth, and comfortable cash conversion cycle. The rating is however constrained from thin profitability margins susceptible to volatility in raw material prices, moderate debt protection metrics and capital structure, vulnerability to volatility in oil seed availability and its pricing given its dependence on monsoons, and exposure to intense competition, leading to low profitability; susceptibility to changes in government policies.

The outlook has been revised from Stable to Positive on the back of expected improvement in the financial risk profile driven by improved operational performance during 9MFY24 coupled with fresh capital infusion in FY24 in the form of Equity share capital and

Compulsory Convertible Preference shares thereby resulting in improved debt protection metrics and overall adequate liquidity position.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up of operations in terms of value and volume along with sustained & significant improvement in profitability.
- Improvement in the liquidity profile of the company driven by reduction in the bank limit utilization.

Downward Factors

- Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.
- Stretch in the working capital cycle, or large, debt-funded capital expenditure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promotors

The promoters of the company have around four decades of experience in varied industry. Long standing presence in the industry has helped them in building established relationships with both customers and suppliers. The group benefits from significant industry experience of its promoters, Anubhav Agarwal and Ajay Kumar Agarwal, who have been associated with the edible oil industry for decades. Currently the company has its second generation looking after the growth of the business.

Diversified product portfolio with Strong market presence in Northern India

The company is engaged in the business of refining and distribution of various grades of edible oil. Edible oil is an important component of food expenditure for the Indian households and demand for the same is expected to increase with growing population and per-capita increase in consumption. With its strong presence in FMCG Sector for both Wholesale and Retail segment the company has established brands namely "Simply Fresh", "Simply Gold", "Sakar Lite" & "R Mark". The brand has strong presence in states of Uttar Pradesh, Uttarakhand, Gujarat and other parts in Northern India. The company is steadily expanding geographies and has presence in 17 states. The company supplies through dealers, institutional sales, traders, and newly launched digital medium. It has the network of 1700-1800 touchpoints which helps the company increase its branded oil sale through the same value chain.

Healthy growth in operations

The group has a diversified customer base spread across 17 states, which helps them in receiving repeated orders. The scale of operations of the company have grown steadily at the CAGR of 26% over past three years. The total operating income of the company improved by ~27% and stood at Rs. 2354.57 Cr. in FY23 from that of Rs. 1857.97 Cr. in FY22(A). The improved realizations are reflected by improved absolute EBITDA which stood at Rs. 91.21 Cr. in FY23 as against Rs. 67.73 Cr. in FY22. With improved profitability, the EBITDA margin and PAT margin showed a gradual growth in FY23. The EBIDTA margin in FY23 improved to 3.87% as against 3.65% in FY22 whereas PAT margin improved to 1.15% in FY23 from that of 1.08% in FY22. The total operating income of the company stood at Rs. 3,182 Cr. as of Feb. 29, 2024, with an EBITDA and PAT of Rs. 135.40 Cr. and Rs. 49.84 Cr. respectively. It also witnessed improved absolute EBITDA to Rs. 67.73 Cr. (Rs. 51.35 Crore in FY21) and PAT to Rs. 20.05 Cr. (Rs. 11.62 Cr. in FY21).

Steady growth in networth

Over the year, the promoters have infused funds on continuous basis to improve the networth of the company. The Tangible Net worth (including Quasi Equity) as on March 31, 2023 stands at Rs. 275.16 Cr. (Rs. 185.86 Cr. as on March 31, 2022). The Equity share capital has improved from Rs. 14.54 Cr. (at the end of FY21) to Rs. 18.82 Cr. (at the end of FY22) and further to Rs. 19.94 Cr. (at the end of FY23). The company issued 0% Compulsorily Convertible Preference Shares (CCPS) in September 2023 to the tune of Rs. 112 Cr.

Comfortable cash conversion cycle

The company cash conversion cycle is comfortable with 92 days in FY23. The gross current assets marginally elevated to 96 days in FY23 from that of 85 days in FY22 mainly due to slight increase in inventory holding. The average Creditor period was 4 days in FY23.

Key Rating Weaknesses:

Thin profitability margins susceptible to volatility in raw material prices

Given limited value additive nature of operations and volatility in raw material prices depending on factors like geo-climatic conditions, international prices and domestic demand-supply situation, the profitability margin (PAT margin) have remained thin, and range bound between 0.78% to 1.15% for FY21-FY23.

Moderate debt protection metrics and capital structure

The interest coverage ratio stood in similar lines at 2.12x in FY23 as against 2.13x in FY22. On account of improved operating profits, the DSCR of the company improved to 1.39x in FY23 from that of 1.26x in FY22. The company primarily relies on fund based working capital limits to meet its working capital requirements. The debt profile comprises of Cash Credit (CC) and term loans. Unsecured loans have been considered as quasi equity. Thus, the overall gearing ratio (incl. quasi equity) stood elevated 1.94x in at on March 31, 2023 from that of 1.85x as on March 31, 2022 as the company utilized the enhanced fund based working capital. Long-term debt equity ratio improved to 0.17x as on March 31, 2023 from that of 0.38x as on March 31, 2022 on account of continued repayment of term loans and improved networth. The total outside liabilities to tangible networth (incl. quasi equity) rose to 2.26x as on March 31, 2023 from that of 2.08x as on March 31, 2022 due to higher borrowings and trade payables.

Vulnerability to volatility in oil seed availability and its pricing given its dependence on monsoons

Sharp fluctuation in price of oilseeds from which the company derives its raw material i.e. edible crude oil could adversely impact the operating margins. Oil seeds procurement cost is also dependent on the monsoons as scarcity of monsoons could be the main reason of the sudden increase in the price and further increase in company’s raw material prices.

Exposure to intense competition, leading to low profitability; Susceptibility to changes in government policies

The edible oil industry in India has a large number of players, leading to intense competition and limit ed pricing power. Moreover, low value addition and volatile input prices also impact the margin. The prices of edible oils are linked to domestic oilseed prices, which are determined by output and minimum support price (MSP) fixed by the Government of India, and by international price trends. Because oil seeds are an agricultural commodity, there is significant government intervention in the industry. To ensure remunerative prices to farmers, the government fixes the MSP on oilseeds periodically. On the other hand, it restricts any major increase in end product prices as edible oil is an essential commodity and has a bearing on the wholesale price index and inflation.

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of Rating Outlook | Infomerics Ratings

Liquidity –Adequate

The liquidity position is adequate as reflected from gross cash accruals of Rs. 36.78 Crore in FY23 against the debt repayment of Rs. 12.01crore. The current ratio as of 31st March 2023 stood at 1.37x. With improved profitability, the DSCR of the company improved to 1.39x in FY23 from that of 1.26x in FY22. The average utilisation for overall working capital facilities stood at 97% for the past 12 months ended January-2024 and cash and cash equivalents stood at Rs. 5.44 Crore as on 31st March 2023.

About the Company:

B.N. Agritech Limited (BNAL) incorporated in the year 2011, based in New Delhi. The company is engaged in the business of refining and distribution of various grades of edible oil, along with this company also provide packaging facilities to their clients. The company has a strong presence in FMCG Sector with both Wholesale and Retail Sales with its brands "Simply Fresh", "Simply Gold", "Sakar Lite" & "R Mark ", which is a household name within Northern India. Earlier company had 575 TPD Refining Capacity and 800 TPD Packaging

Facility at Plant situated Bhimasar, Taluka – Anjar, District – Kutch, Gujarat, recently company has enhanced refining capacity by 300 TPD. Now post expansion, company has refining capacity of 875 TPD.

Financials (Standalone):

(Amount in Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	1857.97	2354.57
EBITDA	67.73	91.21
PAT	20.05	27.20
Total Debt	344.67	535.01
Adj. Tangible Net worth	185.86	275.16
EBITDA Margin (%)	3.65	3.87
PAT Margin (%)	1.08	1.15
Overall Gearing Ratio (times)	1.85	1.94

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	**Name of Instrument / Facilities**	**Type**	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**	**Date(s) & Rating(s) assigned in 2020-21**
	Press Release				–	–	–
1.	Term loans	Long Term	28.97 (Reduced from Rs. 39.22 Cr.)	IVR BBB+ / Positive Outlook	IVR BBB+ / Stable Outlook	–	–
2.	Cash Credit	Long Term	500.00	IVR BBB+ / Positive Outlook	IVR BBB+ / Stable Outlook	–	–

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

<table>
<tr><th>Name of Facility</th><th>Date of Issuance</th><th>Coupon Rate/ IRR</th><th>Maturity Date</th><th>Size of Facility (Rs. Crore)</th><th>Rating Assigned/ Outlook</th></tr>
<tr><td>Long Term – Fund Based – GECL</td><td>–</td><td>–</td><td>31st July, 2026</td><td rowspan="2">10.80</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long Term – Fund Based – GECL</td><td>–</td><td>–</td><td>30th November, 2026</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long Term – Fund Based – GECL</td><td>–</td><td>–</td><td>31st December, 2026</td><td rowspan="2">7.75</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long Term – Fund Based – GECL</td><td>–</td><td>–</td><td>31st October, 2026</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long Term – Fund Based – BGECL</td><td>–</td><td>–</td><td>28th February, 2026</td><td>10.42</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>155.00</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>50.00</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>85.00</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>85.00</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>50.00</td><td>IVR BBB+ / Positive</td></tr>
<tr><td>Long term Bank Facilities – Cash Credit</td><td>–</td><td>–</td><td>Revolving</td><td>75.00</td><td>IVR BBB+ / Positive</td></tr>
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-BN-Agritech-apr24.pdf
Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com