



## Press Release

**B. N. Agritech Limited**

**March 24, 2023**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities	539.22	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable outlook)	Assigned	Simple
Total	539.22 (Rupees Five Hundred and Thirty-Nine Crore and Twenty-Two Lakhs Only)			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of B. N. Agritech Limited considers significant growth in the revenue and profitability margins during FY22 compared with previous financial year. The company derives strength from experienced promoters, diversified product portfolio with strong market presence in northern India, healthy growth in operations, steady growth in net worth, comfortable cash conversion cycle. The rating is however constrained on 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, exposure to intense competition, leading to low profitability; susceptibility to changes in government policies.

### Key Rating Sensitivities:

#### Upward Factors

- Substantial scaling up of operations in terms of value and volume along with sustained & significant improvement in profitability.
- Substantial or sustained improvement in debt protection metrics

#### Downward Factors



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- Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters:**

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, Trades 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 30% over past four years. The total operating income of the company stood at Rs. 1857.97 Cr. in FY22(A) as against Rs. 1480.89 crore in FY21(A), registering Y-o-Y growth of ~25%. The revenue increase is attributed to increase in average sales realization. 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).



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### **Steady growth in network:**

Over the year, the promoters have infused surplus to improve the network of the company. The Tangible Net worth (including Quasi Equity) for FY22 stands at Rs. 185.86 Cr. improving from Rs. 106.65 Cr. in FY19. During the current year, the company issued shares amounting to Rs. 4.28 Cr. in FY22 resulting in improvement of the network. The overall Gearing ratio (incl. quasi equity) stood moderate and improved to 1.85x in FY22 as compared to 2.17x in FY2021 on account of improved network.

### **Comfortable cash conversion cycle:**

The company cash conversion cycle is comfortable with 79 days in FY22 (FY21: 81 days). The gross current assets stood at 85 days (88 day in FY21). The average collection period was 44 days in FY22 and inventory days at 41 days (44 days in FY21). The average Creditor period was 6 days in FY22. There has been overall improvement in the cash conversion cycle.

### **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 0.76% to 1.08% for FY19-FY22. However, in 9MFY23, with raw material prices gradually subsiding, there is improvement in profitability margins in where EBITDA margin stood at 4.10% and PAT margin at 1.29%.

#### **Moderate debt protection metrics and capital structure:**

The interest coverage ratio marginally improved to 2.31x in FY22 from that of 2.02x in FY21 on account of improved EBITDA. For FY22, the DSCR of the company was above unity and stood at 1.26x as against 1.35x in FY21. 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 moderate and improved to 1.85x in FY22 as compared to 2.17x in FY2021 on account of improved network. Longterm debt equity ratio



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improved to 0.38x in FY22 from that of 0.54x in FY21. The total outside liabilities to tangible networth (incl. quasi equity) improved to 2.08x in FY22 as against 2.53x in FY21.

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

Sharp fluctuation in price of the main raw material, oilseeds, 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.

**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 limited 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 is 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

**Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

**Liquidity – Adequate**

The liquidity position is adequate as reflected from gross cash accruals of Rs. 27.77 Crore in FY22 (Audited.) against the debt repayment of Rs. 14.54 crore. The current ratio as of 31st



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March 2022 stood at 1.50x. The DSCR of the company is comfortable and above unity at 1.26x. The average utilisation for overall working capital facilities stood at 79% for the past 12 months ended December-22 and cash and cash equivalents stood at Rs. 5.66 Crore as on 31st March 2022 (Audited).

### 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)\*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	1480.89	1857.97
EBITDA	51.35	67.73
PAT	11.62	20.05
Total Debt	311.08	344.67
Tangible Net worth	97.53	154.56
EBITDA Margin (%)	3.47	3.65
PAT Margin (%)	0.78	1.08
Overall Gearing Ratio (times)	3.66	2.43

\*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:



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		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 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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1.	Long Term Fund Based Bank Facilities	Long Term	539.22	IVR BBB+ / Stable Outlook	–	–	–

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – GECL	–	–	31 <sup>st</sup> July, 2026	13.51	IVR BBB+ / Stable
Long Term – Fund Based – GECL	–	–	30 <sup>th</sup> November, 2026		IVR BBB+ / Stable
Long Term – Fund Based – GECL	–	–	31 <sup>st</sup> December, 2026	9.88	IVR BBB+ / Stable
Long Term – Fund Based – GECL	–	–	31 <sup>st</sup> October, 2026		IVR BBB+ / Stable
Long Term – Fund Based – BGECL	–	–	28 <sup>th</sup> February, 2026	15.83	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	155.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	50.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	85.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	85.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	50.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	75.00	IVR BBB+ / Stable



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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-BNAgritech.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](http://www.infomerics.com).