



Press Release

Bharat Industrial Enterprises Private Limited

June 04, 2024

Re-classification of Facilities – Bank Loan Facilities

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	137.23	IVR BBB/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB/ Stable (IVR Triple B Plus with Stable outlook)	Re-affirmed	Simple
Short Term bank Facilities	30.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Re-affirmed	Simple
Total	167.73	Rupees One hundred Sixty-Seven Crores and Seventy Three lakhs only.			

Details of Facilities are in Annexure 1

Detailed Rationale

There was re-classification of the EPC/PCFC facility of Rs. 122.25 crore sanctioned from SBI bank, HDFC Bank & Union Bank of India into Long term Facility. The revised amount has been attached as Annexure – 3.

The ratings continues to draw comfort from its established track record of operations and experienced promoters, geographical location advantages and growing scale of operations. However, these strengths are partially offset by moderate operating cycle, exposure to agro-climatic risk, fragmented nature of the industry leading to thin profit margins and susceptibility to changes in government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes BIEPL will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders.



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IVR has principally relied on the standalone audited financial results of BIEPL upto 31 March 2023, 9MFY24 Provisional results and Projected Financials of FY2024 , FY2025 and FY2026 and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis, which is significantly higher than Infomerics expectations.
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Deterioration in the capital structure with substantial increase in gearing ratio and deterioration in interest coverage.
- Elongation in the operating cycle impacting the liquidity/ unplanned capex deteriorating the financial matrix.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters and long track record of operations

Mr Nathi Ram Gupta and Mr Mohit Gupta are promoters cum directors in BIEPL and are actively managing the company's operations. Mr Nathi Ram Gupta has more than five decades of experience in trading, processing and manufacturing of rice. Mr Mohit Gupta, son of Mr Nathi Ram Gupta has over nine years of experience in the same line of business and is responsible for rice procurement for shellers and international marketing along with the management of finance. In addition to the promoters, BIEPL is managed by a group of professionals. Company is into the rice processing business since 1969. Long experience of the



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promoters in the rice processing industry has helped in maintaining good relations with customers from whom the company gets repeated orders.

Favourable demand prospect for rice

The demand prospects for the rice industry are expected to remain stable as rice is a staple food grain and India is the world's second largest producer and consumer of rice.

Increase in Operating Performance albeit Muted in Scale of Operations

The total operating income of the company stood at Rs. 391.11 Crore in FY23 against Rs. 417.08 Crore in FY22 depicting a decrease of 6.26% owing to the decrease in sales quantity of basmati rice from 59,541 MT to 43,392 MT in FY23. However, the operating & Profitability margins of the company improved to 6.25% and 1.18% in FY23 against 5.20% & 0.98% as on FY22. The order book of the company stood at Rs. 160.12 Crore as of March 2024 which are to be completed in next four to six months.

Satisfactory Financial Risk Profile

The financial risk profile of the company is comfortable marked by satisfactory Tangible Net worth base of Rs.52.82 Crores in FY23 as against Rs.48.12 Crores in FY22. The Overall gearing stands comfortable at 2.79x in FY23 as against 2.45x in FY22. The debt protection metrics is also satisfactory marked by ICR & DSCR of 1.61x & 1.35x in FY23 as against 1.58x & 1.35x respectively in FY22.

Key Rating Weaknesses

Working capital intensive nature of operations

Operations of the company are working capital intensive as reflected in operating cycle of 190 days as on March 31, 2023 (FY22:156 days). The same has remained elongated on account of higher inventory period. The average inventory period stood at 170 days in FY23 (FY22:119 days). The average collection period stood at 44 days in FY23 (FY22:53 days). The average inventory period is high because the company has to store paddy which is seasonally available.



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Further, BIEPL majorly deals in basmati rice which requires ageing to attract the premium pricing, which also contributes to high level of inventory.

Susceptibility to fluctuation in raw material prices and monsoon dependent operations

Agro-based industry is characterized by its seasonality, due to its dependence on raw materials whose availability is affected directly by the vagaries of nature. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. Adverse climatic conditions can affect their availability and lead to volatility in raw material prices, which can consequently lead to fluctuations in the profitability margins. Paddy is the major raw material, and the peak paddy procurement season is during November to January during which the firm builds up raw material inventory to cater to the milling and processing of rice throughout the year. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices. Since there is a long time lag between raw material procurement and liquidation of inventory, the company is exposed to the risk of adverse price movement resulting in lower realization than expected. The surge in unexpected demand has to be met by procuring semi-processed rice from smaller rice millers which may also increase the average cost of raw materials.

Regulated and fragmented nature of industry

The commodity nature of the product makes the industry highly fragmented with numerous players operating in the unorganized sector with very less product differentiation. The raw material (paddy) prices are regulated by government to safeguard the interest of farmers, which in turn limits the bargaining power of the rice millers.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)



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[Criteria for assigning rating outlook](#)

[Policy on default recognition](#)

Liquidity – Adequate

BIEPL has generated a cash accrual of Rs.8.31 Crores in FY24 against the debt repayment obligations of Rs 0.49 Crore. Further, BIEPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24. Average Utilization of bank limits for last 12 months ended March 2024 stood at ~94.92% indicating limited buffer to meet incremental requirements. Further, company reported cash and cash equivalents of Rs.0.85 Crores as on March 31, 2023. The Current Ratio stood at 1.20x as on March 31, 2023. All these factors reflect adequate liquidity position of the company.

About the Company

Bharat Industrial Enterprises Private Limited (BIEPL) was incorporated in 1969 as a partnership firm under the style of Bharat Rice & Oil Mills. subsequently, the firm was converted into a limited company under the name Bharat Industrial Enterprises Limited in 1997. The company processes, mills and exports basmati & non-basmati rice. BIEPL's mill is based in Karnal (Haryana) and has a rice milling capacity of 6 tonnes/hour and rice processing capacity of 12 tonnes/hour. BIEPL also trades in petrol, diesel and industrial lubricants. Company owns petrol pump in Karnal. Although, this is not even 0.50% of the total revenue.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	417.08	391.11
EBITDA	21.69	24.46
PAT	4.11	4.62
Total Debt	117.67	146.77
Tangible Net worth*	48.12	52.82
EBITDA Margin (%)	5.20%	6.25%
PAT Margin (%)	0.98%	1.18%
Overall Gearing Ratio (x)	2.45x	2.79x

*as per Infomerics standards



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Status of non-cooperation with previous CRA : Brickwork Ratings in its press Release dated on June 12, 2023 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Rating Dated May 13, 2024	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 Dated: March 16, 2023	Date(s) & Rating(s) assigned in 2021-22
1	Term Loan	Long Term	13.23	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-
2	Cash Credit	Long Term	1.75	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-
3	EPC/PCFC	Long Term	122.25	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR A3+ (IVR A Three Plus)	-	IVR A3+ (IVR A Three Plus)	
4	WRF	Short Term	25.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)			



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4	Forward Cover	Short Term	5.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	-	IVR A3+ (IVR A Three Plus)	

Name and Contact Details of the Rating Analyst:

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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.



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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 Bank Facilities – Term Loan			Aug 2029	13.23	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Long Term Bank Facilities – Cash Credit				1.75	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Long Term Bank Facilities – EPC/PCFC				122.25	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Short Term Bank Facilities – WRF				25.00	IVR A3+ (IVR A Three Plus)
Short Term Bank Facilities – Forward Cover				5.50	IVR A3+ (IVR A Three Plus)

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Bharat-Industrial-jun24.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