



## Press Release

### **Bharat Industrial Enterprises Private Limited**

**March 16, 2023**

#### **Ratings**

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	5.50*	IVR BBB with stable Outlook (IVR Triple B With Stable Outlook)	Assigned	Simple
Short Term bank Facilities	154.50	IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>160.00 (Rupees One Hundred and Sixty Crores Only)</b>			

\*Includes Proposed Limit of Rs. 2.97 Crore

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB with a Stable Outlook and short term rating of IVR A3+ for the bank loan facilities of Bharat Industrial Enterprises Private Limited (BIEPL).

The rating draws comfort from its established track record of operations and experienced promoters, geographical location advantages and moderate 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.

IVR has principally relied on the standalone audited financial results of BIEPL upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/clarifications provided by the company's management.

#### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant and sustained growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity



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- Improvement in the capital structure resulting in further improvement of the financial risk profile

### **Downward Factors**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position.

### **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 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.

##### **Muted decrease in Scale of Operations and Margins**



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Despite the Covid-19 pandemic, the company's operating income remains almost same with a negative growth of 1.10% to Rs.417.08 Crores in FY22 from Rs.421.76 Crores in FY21. The EBITDA also improved to Rs.21.69 Crores in FY22 from Rs.20.43 Crores in FY21. However the PAT decreased to Rs.4.11 Crores in FY22 from Rs.5.31 Crores in FY21 on account of increase in interest cost. Furthermore, the results for 10MFY23(Prov) are also favourable.

### **Satisfactory Financial Risk Profile**

The financial risk profile of the company is comfortable marked by satisfactory Tangible Net worth base of Rs.48.12 Crores in FY22 as against Rs.44.07 Crores in FY21. The Overall gearing stands comfortable at 2.45x in FY22 as against 2.40x in FY21. The debt protection metrics is also satisfactory marked by ICR & DSCR of 1.58x & 1.37x in FY21 as against 1.90x & 1.56x respectively in FY21.

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations**

Operations of the company are working capital intensive as reflected in operating cycle of 156 days as on March 31, 2022 (FY21:136 days). The same has remained elongated on account of higher inventory period. The average inventory period stood at 119 days in FY22 (FY21:112 days). The average collection period stood at 53 days in FY22 (FY20: 51 days). The average inventory period is high because the company has to store paddy which is seasonally available. 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



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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 Methodologies for Manufacturing Sector Entities](#)  
[Financial Ratios & Interpretation Non- Financial Sector](#)  
[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

BIEPL has generated a cash accrual of Rs.8.80 Crores in FY22 against the debt repayment obligations of Rs Nil. Further, BIEPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23. Average Utilization of bank limits for last 12 months ended December 2022 stood at ~92.00% indicating limited buffer to meet incremental requirements. Company reported cash and cash equivalents of Rs.0.84 Crores as on March 31, 2022. The Current Ratio stood at 1.20x as on March 31, 2022. All these factors reflect adequate liquidity position of the company.

### **About the Company**



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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	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	421.76	417.08
EBITDA	20.43	21.69
PAT	5.31	4.11
Total Debt	105.21	117.48
Tangible Net worth*	44.07	48.12
EBITDA Margin (%)	4.84%	5.20%
PAT Margin (%)	1.26%	0.98%
Overall Gearing Ratio (x)	2.40x	2.45x

\*as per Infomerics standards

**Status of non-cooperation with previous CRA : None**

**Any other information: Nil**

**Rating History for last three years:**



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Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		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
2.	Term Loan	Long Term	5.50*	IVR BBB with stable Outlook (IVR Triple B With Stable Outlook)			
2	Export Packing Credit	Short Term	124.00	IVR A3+ (IVR A Three Plus)	-	-	-
3	Warehousing Receipt Financing	Short Term	25.00	IVR A3+ (IVR A Three Plus)			
4	Forward Cover	Short Term	5.00	IVR A3+ (IVR A Three Plus)			
5	LC/BG	Short Term	0.50	IVR A3+ (IVR A Three Plus)			

\*Includes Proposed Limit of Rs. 2.97 Crore

### Name and Contact Details of the Rating Analyst:

Name: Mr. Tarun Jain Tel: (011) 45579024 Email: <a href="mailto:Tarun.jain@infomerics.com">Tarun.jain@infomerics.com</a>	Name: Mr. Om Prakash Jain Tel: (011) 45579024 Email: <a href="mailto:opjain@infomerics.com">opjain@infomerics.com</a>
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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.





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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)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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				5.50	IVR BBB with stable Outlook (IVR Triple B With Stable Outlook)
Short Term bank Facilities – Export Packing Credit				124.00	IVR A3+ (IVR A Three Plus)
Short Term bank Facilities – Warehousing Receipt Financing				25.00	IVR A3+ (IVR A Three Plus)
Short Term bank Facilities – Forward Cover				5.00	IVR A3+ (IVR A Three Plus)
Short Term bank Facilities – LC/BG				0.50	IVR A3+ (IVR A Three Plus)

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**



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<https://www.infomerics.com/admin/prfiles/Len-BharatIndustrial.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)

