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Bija Agrifresh Private Limited

April 04, 2024

Ratings:

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long term Bank Facilities – Term loans	19.96 (Reduced from Rs. 31.26 Cr.)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long term Bank Facilities – Cash Credit	45.40	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	65.36 (Rupees Sixty-five Crores and thirty-six lakhs only)			

The term loan and cash credit facility availed by the company from HDFC Bank have been taken over by Central Bank of India vide sanction letter dated April 13, 2023.

Infomerics is in receipt of No dues of No dues certificate from HDFC Bank dated July 21, 2023 and August 22, 2023.

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed its rating on bank facilities due to sustained financial performance in FY23. The rating continues to derive strength from experienced promoters with long track record of operation, improved financial risk profile and favourable demand prospects for poultry sector across India. The rating is however constrained due to small scale of operations, exposure to agro climatic risk and cyclical nature associated with Indian poultry industry, highly fragmented and competitive nature of trading segment and poultry industry with outbreaks of bird flu and elongated operating cycle.



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Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue & profitability margins while maintaining debt protection metrics.

Downward Factors

- Any decline in revenue & profitability leading to decline in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operation

Being incorporated in 1988, the company has a long track record of operations of more than three decades. Further, the promoters, Gill family have vast experience in this industry. Mr. Harbhajan Singh Gill, Director, having more than three decades of experience is at the helm of affairs of the company with support from his two sons Mr. Amrinder Singh Gill and Mr. Gagandeep Singh Gill. Extensive industry experience of the promoters resulted in established relationship with customers and suppliers. Further, the promoters have infused equity during the past two years to support the business indicating a positive commitment.

Improved financial risk profile

The operating income, on an overall basis, have been increasing consistently with a CAGR of ~20%. However, the revenue from business of cold storage is increasing. The apple trading operations witnessed a steady improvement driven by higher focus of the management and contributes around ~77% of total revenue of FY23. Majority of the poultry farming business is derived from sale of eggs. The profitability margins have improved and are mainly driven from apple trading business which generally attracts higher margin. EBIDTA margin stood at 18.73% in FY23 as against 13.24% in FY22 and PAT margin at 9.01% in FY23 as against 6.06% 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. Total debt of the company stood at Rs. 42.38 crore, which majorly comprises of Rs. 26.24 crore of outstanding term loan as of March 31, 2023.



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The capital structure stood moderate with adjusted overall gearing improved to 1.31x as on March 31, 2023 as against 1.55x as on March 31, 2022.

Favourable demand prospects for poultry sector across India

Poultry products like eggs have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in home and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. Consequently, the domestic poultry sector has seen strong growth in the last three years and the growth trend is likely to continue in the medium-term on the back of favourable socio-economic and demographic factors. The demands for poultry products are sustainable and accordingly, the kind of industry is relatively insulated from economic cycle. Moreover, supply side factors like increased contract farming across the country and sizeable investments by poultry integrators in increasing breeding/ hatching capacity are expected to contribute to the growth momentum.

B. Key Rating Weaknesses

Small Scale of operations

Despite being in the business for more than three decades, the scale of operations has been small over the past years with a total operating income of Rs. 87.77 Cr. in FY23 which improved by 33% y-o-y from that of Rs. 65.88 Cr. in FY22. The company is gradually increasing its size of operations where in it has completed capex in October-2022 giving it additional capacity of 5500 MT per annum. However, although it has small scale of operations the company has achieved a CAGR of ~20% during FY21-FY23 mainly driven by increase in revenue from trading operations. The apple trading operations witnessed a steady improvement driven by higher focus of the management and contributes around ~77% of total revenue of FY23 and providing better profitability margins.

Exposure to Agro climatic risk and cyclicity associated with Indian poultry industry

Maize (constitutes about 60% of the feed) and soya (constitutes about 30% of the feed) form the major raw materials for poultry feed, which account for a significant portion of its total



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purchases. Maize is a relatively small crop in India and being a rain-fed crop, any failure in monsoon will affect its harvest. Further, the company mainly deals in apples which is also an agro commodity and consequently exposed to agro climatic risks. Thus, fluctuation in the prices of these agro commodities would impact its profitability. Further, the company is also affected by the cyclical nature associated with the Indian poultry industry and the resultant volatility in egg prices.

Highly fragmented and competitive nature of trading segment and poultry industry with outbreaks of bird flu

Poultry, eggs, apples and meats are food articles of regular consumption and stable demand. This feature of poultry farm business and apple trading attracts many unorganised players. Going further, low entry barriers in these highly competitive segments may lead to oversupply situation which in turn may affect the profitability of the company. Further, the intermittent outbreaks of bird flu have affected the poultry industry since 2006. Such contagious disease outbreaks will have a high impact on the industry thereby leading to crash in prices of table eggs. However, the company has taken appropriated measures for protecting its birds from bird flu by multi-level bio security measures.

Elongated operating cycle

The operating cycle of the company improved & remained elongated over the past years marked by its high inventory holding requirements. The company need to store poultry feeds for the poultry business as the feeds are mostly agro commodities and availability is seasonal in nature. On the other hand, the company procure apples in harvesting season and store the same to sale it during off seasons to get a better price.

Analytical Approach: Standalone approach

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)



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Liquidity – Adequate

The liquidity position of the company remains adequate as supported by cushion available through comfortable gross accruals vis-à-vis repayment obligations. The company maintains unencumbered cash and bank balances of Rs. 6.37 Crore as on March 31st, 2023. Furthermore, the current ratio stood 1.16x as on March 31st, 2023. The company has availed Cash Credit facilities for its poultry and apple trading segments and the total average utilization of these facilities have been under 54% thus giving comfortable liquidity buffer for the company.

About the Company:

Bija Agrifresh Pvt Ltd (BAPL) previously Bija Poultry Farm Private Limited was incorporated in 1988 by one Gill family of Punjab under the guidance of Mr. Harbhajan Singh Gill. The company was initially engaged in poultry farming business with its two units, located at Mohali, Punjab with laying birds of around 90,000 and Rudarpur, Uttarakhand with laying birds of around 2,00,000. In order to diversify its business, the company has forayed into trading of apples from FY18 with a cold storage facility capacity of 5500 MT per annum for storing of apples in Himachal Pradesh. The day-to-day affairs of the company are looked after by Mr. Amrinder Singh Gill, Director.

Financials (Standalone):

(In Rs. Crores)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	65.88	87.77
EBITDA	8.72	16.44
PAT	4.03	7.95
Total Debt	37.19	42.38
Adj. Tangible Net worth	23.30	31.75
EBITDA Margin (%)	13.24	18.73
PAT Margin (%)	6.06	9.01
Overall Gearing Ratio (times)	1.55	1.31

**Classification as per Infomerics standards*



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Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		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
					January 11, 2023	July 28, 2022	(July 06, 2021)
1.	Fund Based – Term Loan	Long Term	19.96 (Reduced from Rs. 31.26 Cr.)	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Credit Watch with Developing Implications
2.	Fund Based – Cash Credit	Long Term	45.40	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Stable	IVR BBB- / Credit Watch with Developing Implications

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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.



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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
Term loan	-	-	2024	6.65	IVR BBB-/ Stable
Term loan	-	-	August 08, 2024	1.54	IVR BBB-/ Stable
Term loan	-	-	Oct- 2030	11.77	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	2.10	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	0.20	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	1.10	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	22.00	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	20.00	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BijaAgrifresh-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