B. K. Agro Products Private Limited

December 01, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	26.12	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	1.30	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3 (A Three) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**27.42 (Rs. Twenty-Seven Crore and Forty-Two Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from B. K. Agro Products Private Limited (BKAPPL) to monitor the rating(s) vide e-mail communications/letters dated November 22, 2021, November 10, 2021, October 22, 2021, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, BKAPPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on BKAPPL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING*/ CARE A4+; ISSUER NOT COOPERATING*.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of lack of information on the financial performance and inability to monitor the performance of the company going forward which is critical for assessing the credit profile of the company. The ratings assigned to the bank facilities of BKAPPL continue to draw strength from experienced promoters & long track record of operations in Rice milling business, strategic location of the manufacturing unit, satisfactory financial performance in FY20 coupled with comfortable capital structure and debt protection matrix. The rating, however, remain constrained by small scale of operations, seasonal nature of availability of raw material resulting in working capital intensity and exposure to vagaries of nature, regulation by Government in terms of minimum support price and intense competition due to fragmented industry. The rating also factors in the successful completion of the capacity expansion initiatives undertaken by the company.

Detailed description of the key rating drivers

At the time of last rating on February 25, 2021 the following were the rating weaknesses and strengths

Key rating Weaknesses

Moderation in the Project risk

The Company had taken up a project for capacity expansion of Rice Mill from 21, 600 MTPA to 79, 200 MTPA, in FY19, which were to be funded through a mix of term debt and internal accruals. The project has been completed (COD: Feb.09, 2020) at the total cost Rs.21.44 crore. During 9MFY21 the capacity utilization for the Rice Mill stood at 44% as against 71% in FY20. FY21 being the first full year of operations post expansion, satisfactory capacity utilization and timely stabilization of operation would remain a key rating sensitivity.

Small scale of operations

BKAPPL is a relatively small player with installed capacity of 79,200MTPA (enhanced from 21,600 MTPA since Feb- 20) of parboiled rice and 45,000 MTPA of solvent extraction. This apart, the company has operating income of ~Rs.132 crore in FY20 and net-worth of Rs.29.52 crore as on Mar'20. Consequently, the small size deprives it the benefits of economies of scale and restricts the financial flexibility of the company in times of stress.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Seasonal nature of availability of raw material resulting in working capital intensity and exposure to vagaries of nature

Agro product processing business is working capital intensive as the millers have to stock paddy by the end of each season till the next season as the price and quality of agro products are better during the harvesting season. Accordingly, the working capital intensity remains high impacting company's profitability. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature. Paddy production is contingent upon various externalities including failure of monsoons, natural calamities, prevalence of pests and etc.

Regulation by Government in terms of minimum support price (MSP)

The Government of India (GOI), every year decides a minimum support price (MSP – to be paid to paddy growers) for paddy which limits the bargaining power of rice millers over the farmers. The MSP of paddy has increased during the crop year 2020- 21 to Rs.1868/quintal (as suggested by the Commission for Agricultural Costs and Prices, the apex body to advice on MSP to the government) from Rs.1835/quintal in crop year 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the company, especially in times of high paddy cultivation.

Intense competition due to the fragmented nature of the industry

Due to low entry barriers, the Indian rice milling/solvent extraction segment is highly fragmented and competitive due to presence of various small players. Most of the manufacturers offer similar products with little difference which competes with each other resulting in lower margins for most of the players. Further, availability of varieties of edible oils such as mustard oil, sunflower oil, and soya bean oil, etc. which can be substituted for one another also adds on the competition.

Key Rating Strengths

Experienced promoters and long track record of operations in rice milling business

The company is into milling and processing of rice and solvent extraction since 2007 and thus, almost a decade of track record of operations. BKAPPL is managed by four directors namely Mr Pradip Kumar Goenka, Mr Arun Kumar Goenka, Mr Sankar Lal Gupta and Mr Murari Lal Goenka. All the directors have around two decades of experience in the same line of business.

Strategic location of the plant

BKAPPL's plant is located in West Midnapore, West Bengal which is close to the vicinity of a major rice growing area of West Bengal, thus, resulting in logistic advantage. Additionally, the plant is well connected by road (NH-6) running within close vicinity. The entire raw material requirement is met locally from the farmers (or local agents) helping the company to save simultaneously on transportation cost and paddy procurement cost. Further, rice being a staple food grain with India's position as one of the largest producer and consumer, demand prospects for the industry is expected to remain conducive in near to medium term.

Satisfactory financial performance in FY20, coupled with comfortable capital structure and debt protection matrix

Total Operating Income increased by ~17% y-o-y to Rs.132.22 crore in FY20 from Rs.113 crore in FY19 mainly due to increase in the trading sales coupled with increase in the sales volume (~38%) and average sales realization for rice. Accordingly, PBILDT levels increased from Rs.8.91 crore in FY19 to Rs.10.20 crore in FY20. However, PAT levels increased marginally to Rs.5.71 crore in FY20 from Rs.5.67 crore in FY19 due to increase in the capital charges (i.e. interest and Depreciation). GCA though remained comfortable at Rs.7.46 crore vis-à-vis nil debt repayment obligations in FY20. Interest coverage ratio moderated to 9.34x in FY20 (40.86x in FY19) mainly owing to increase in interest cost attributable to increase in working capital borrowings and availment of term loan. The capital structure of the company moderated in FY20 on account of increase in the working capital borrowings and availment of term loan of Rs.10.3 crore to fund the capex (capacity expansion). Accordingly the overall gearing stood at 0.74x as on Mar.31, 2020 as against 0.17x as on Mar.31, 2019. Further TD/GCA moderated to 2.93 times in FY20 from 0.62 times in FY19.

In 9MFY21, the company has recorded gross sales of Rs.132.68crore(provisional).

Analytical approach: Standalone

Applicable criteria

Policy in respect of Non-cooperation by issuer

Policy on default recognition

Financial Ratios – Non financial Sector

Rating Outlook and Credit Watch

Short Term Instruments

Manufacturing Companies

About the Company
B.K. Agro Products Private Limited (BKAPPL) was incorporated on September 28, 2007. Since its inception, the company has been engaged in solvent extraction from rice bran, processing of agricultural products and rice milling business. The company's manufacturing plant is located at Paschim Midnapore in West Bengal. BKAPL procures paddy from the farmers and process rice under their own brand 'Trishul'. The rice milling plant has an installed capacity of 79,200 metric ton per annum (enhanced from 21,600 metric ton per annum in Feb-20) whereas solvent extraction plant has installed capacity of 45,000 metric ton per day. Apart from own rice milling, the company also does custom milling for government of West Bengal.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	H1FY22 (UA)
Total operating income	113.00	132.22	**NA**
PBILDT	8.91	10.20	**NA**
PAT	5.67	5.71	**NA**
Overall gearing (times)	0.17	0.74	NA
Interest coverage (times)	40.86	9.34	**NA**

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Available
Any other information: Not Available
Rating History (Last three years): Please refer Annexure-2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	17.70	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees		-	-	-	1.30	CARE A4+; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	Dec 2027	8.42	CARE BB+; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	17.70	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (25-Feb-21)	1)CARE BBB-; Stable (26-Mar-20)	1)CARE BBB-; Stable (19-Nov-18)
2	Non-fund-based - ST-Bank Guarantees	ST	1.30	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (25-Feb-21)	1)CARE A3 (26-Mar-20)	1)CARE A3 (19-Nov-18)
3	Term Loan-Long Term	LT	8.42	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (25-Feb-21)	1)CARE BBB-; Stable (26-Mar-20)	-

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantees	Simple
3	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

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