

Brahmmas Agro Industries Private Limited

December 03, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	18.00 (Rs. Eighteen Creore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Brahmmas Agro Industries Private Limited to monitor the rating vide e-mail communications dated August 2021 to November 29, 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. The rating on Brahmmas Agro Industries Private Limited's bank facilities will now be denoted as **CARE B+; Stable; 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 ratings.

The rating has been revised by taking into account of operations being halted as informed by the lender and non-availability of requisite information Brahmmas Agro Industries Private Limited with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Ratings remain constrained by small scale of operation, volatility in raw material prices, stretched working capital cycle with highly utilized working capital limits, seasonal nature of industry and inherent industry risk associated with edible oil industry in India. The rating, derives strength from moderate financial risk profile, experienced and resourceful promoters, and strategic location of plant along with stable industry growth prospects.

Detailed description of the key rating drivers

At the time of last rating on October 01, 2020 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Small scale of operations:

The company is been operational for more than a decade; however, the scale of operations remains relatively small and company remains a small sized entity with a modest networth base of around Rs.28 crore albeit equity infusion during FY20. The total operating income (TOI) of the company also remained moderate at Rs.89 crore in FY20 improving marginally by 12% y-o-y.

Elongated working capital cycle

The operating cycle of the company continues to remain elongated and deteriorated marginally from 162 days during FY19 to 174 days during FY20 (Prov.) primarily on account of higher inventory levels. In view of seasonality associated with cultivation of cotton, company needs to procure all its raw material requirement in bulk resulting in higher inventory period. Also, during the last week of March 2020, the company could not dispatch few of the orders due to lockdown resulting in higher inventory levels as on the balance sheet date. The same resulted in stretched inventory period of 182 days during FY20 (Prov.) (156 days during FY19). Resultantly, the working capital requirements of the company continue to remain high with average utilization of fund-based limits for the last twelve months ended June 30, 2020 being at around 90%.

Volatility in raw material prices

The main raw material of the company is cotton seeds, which is a seasonal agricultural product and is available from October to April. There are no long-term contracts with the raw material suppliers and the company purchases the material as per requirement. During the season, the prices of raw materials usually fluctuate and are also affected by international edible oil prices. The average cost of raw material per ton decreased by around ~15% from Rs. 23,500/MT during FY19 to

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

Rs.20,000/MT during FY20. This volatility may have impact of the profitability margins of the company which already tend to remain on the lower side.

Inherit risk associated with edible oil sector

Indian edible oil industry is highly dependent on availability of raw material, domestic production of oil seeds, annual rainfall, global price fluctuations and consumer preferences. Majority of the demand supply gap of edible oil in India is filled through imports. However, the favourable demand prospects of edible oil market are partly offset by the highly fragmented and competitive nature of the industry due to presence of large number of unorganized players in the lower end of the bulk segment, presence of large and established players and entry of multinational companies with strong marketing focus in the high end of market.

Key Rating Strengths

Experienced and resourceful promoters

The company has been promoted by Mr. B. Srinivasa Rao (Managing Director) and Mr. Mastan Reddy (Director). Mr. Mastan Reddy has around four decades of experience in extraction and refining of cotton seed oil and Mr. B. Srinivasa Rao has overall industry experience of more than a decade. The promoters are resourceful and have infused funds to support the company's operations. During FY20, the promoters of the company infused equity capital of Rs.6.60 crore to support the operations of the company. As on March 31, 2020, the unsecured loans by the promoters stood at Rs.8.52 crore.

Strategic location of plant in vicinity of raw material

BAIPL's plant is located near Guntur, Andhra Pradesh which is one of the major cotton growing areas in Andhra Pradesh with large number of cotton ginning plants operating in the region. BAIPL has a raw material procurement office in Guntur and procures cotton seed from the cotton ginning plants operating in the region which ensures easy raw material availability and lowers transportation cost.

Generating operating and net profits during FY20

After incurring continues losses in the past years, the company, during FY20, booked profits at operating and net level of Rs.5.11 crore and Rs.0.15 crore respectively backed by overall improvement in the cash flows. The total operating income of the company also witnessed a y-o-y improvement of about 12% from Rs.79.46 crore in FY19 to Rs.89.13 crore during FY20 (Prov.) primarily on account of increased sales volume of washed oil and de-oiled cake coupled with higher sales realization for all the products. During 5MFY21, the company reported revenue of around Rs.25.29 crore.

Moderate financial risk profile

The debt profile of the company mainly comprises working capital borrowings and unsecured loans. The overall gearing improved from 1.80x as on March 31, 2019 to 1.28x as on March 31, 2020 (Prov.) owing to equity infusion of Rs.6.60 crore, partial repayment of unsecured loans and plough back of profits to reserves. The debt coverage indicators, although stressed, have improved during FY20. The total debt to GCA of the company stood at 15.73x during FY20 (Prov.). The other debt coverage indicator, PBILDT interest coverage ratio stood comfortable at 1.81x during FY20 (Prov.).

Stable Industry growth prospects

The long-term outlook of edible oil demand in India is favorable on expectation of, increasing population, increase in per capita consumption which in turn would be driven by changing lifestyles, growing urbanization, steadily rising affluence levels and continued government support to the sector.

Liquidity: Stretched

The liquidity position of the company is stretched marked elongated operating cycle, extensively utilized working capital limits and modest cash balance. However, the company has no CAPEX plans or any term debt obligations in near future along with a comfort of above unity current ratio of 1.43x as on March 31, 2020.

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](#)

[Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Brahmmas Agro Industries Pvt. Ltd (BAIPL), incorporated in August 2008, was promoted by Mr. B. Srinivasa Rao and Mr. T. Mastan Reddy. Mr. Mastan Reddy has around four decades of experience in extraction and refining of cotton seed oil while, Mr. B. Srinivasa Rao has an overall experience of over a decade in the industry. The company is engaged into processing of cotton seed for solvent extraction & refining of cotton seed oil and manufacturing of allied products like cotton seed hulls, cotton seed cake, linters etc. The company has a processing plant at Vetapalemu, Prakasham district, Andhra Pradesh with an installed capacity of 125,000 MTPA for Cotton seed processing, 65000 MTPA for solvent extraction of cotton seed cake and 12000 MTPA for extraction refinery.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	Q1/H1FY22
Total operating income	79.46	89.13	NA
PBILDT	-1.95	5.11	NA
PAT	-7.13	0.17	NA
Overall gearing (times)	1.79	1.28	NA
Interest coverage (times)	-0.69	1.81	NA

A-Audited

**Latest financials not available*

Status of non-cooperation with previous CRA:NA

Any other information: Not Applicable

Rating History for 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		-	-	-	18.00	CARE B+; 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	18.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (01-Oct-20)	1)CARE BB; Stable (02-Aug-19)	1)CARE BB; Stable (01-Oct-18)

** Long Term / Short Term*

**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

Annexure 5: Bank Lender Details for this Company- Not Applicable

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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