

Baramati Agro Limited

March 06, 2023

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	1,313.85 (Enhanced from 982.45)	CARE A; Stable	Revised from CARE A-; Positive
Long Term / Short Term Bank Facilities	683.20 (Reduced from 696.00)	CARE A; Stable / CARE A1	Revised from CARE A-; Positive / CARE A2+

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the long term and short term ratings assigned to the bank facilities of Baramati Agro Limited (BAL) factors in the improvement in the financial risk profile of the company in FY22 (refers to period from April 01 to March 31) marked by improvement in scale of operations, stable profitability amidst the highly regulated and competitive environment, and likelihood of the same remaining comfortable going forward. The rating revision also factors in the further strengthening of the business risk profile with increased diversion of sugarcane towards ethanol production leading to lower sugar inventory levels. The ratings also take note of growing scale of operations during 9MFY23 (refers to the period from April 01 to December 31).

The ratings continue to derive strength from established track record of the company, experienced and resourceful promoters, diversified revenue stream from poultry, feed-mill, sugar, and trading businesses coupled with fully integrated operations of its sugar divisions. The ratings are further supported by cordial relationships with farmers community leading to adequate availability of cane and diversified distribution network. Furthermore, continuation of government's policy in the form of fixing minimum support price (MSP) for sugar and remunerative ethanol prices, would continue to lend support to the sugar industry. BAL being an integrated player, remains well-placed to benefit from these developments.

The above strength, however, are constrained by the inherent risks associated with sugar and poultry industry, working capital intensive nature of operations, and susceptibility of profitability to raw material price movements. CARE Ratings takes cognizance of high input cost in feed and poultry industry which is expected to keep the margins for said divisions under pressure for near to medium term.

The ratings also take note of scaling risk associated with the ongoing debt funded capex which might result in moderation of capital structure and debt coverage metrics in the near term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to increase its scale of operations to Rs.5,000 crore and above on a sustained basis coupled with maintaining PBILDT margin in the range of 10-12%
- Improvement in capital structure with overall gearing below unity on a sustained basis.

Negative factors

- Any un-envisaged sizable debt leading to deterioration in overall gearing to 1.80x or above on a sustained basis.
- Decline in PBILDT margin to less than 6% on a sustained basis.
- Adverse change in government policies affecting the operations and cash flows of the company.

Analytical approach: Consolidated

CARE has analysed BAL's credit profile by considering the consolidated financial statements of the company owing to financial, business and operational linkages between the parent and subsidiaries. Both the subsidiaries operate in the similar line of business (trading of agro products) and are under a common management team and brand name. These subsidiaries are strategically important to the business of the parent as these entities act as an extension of the parent's business in different regions and geographies. The details of the subsidiaries which have been consolidated as on March 31, 2022 are as below:

Sr.no.	Name of the subsidiary	Country of incorporation	% of holding as on March 31, 2021
1	Baramati Agro Singapore Pte. Ltd	Singapore	100.00
2	Baramati Agro Tanzania Limited	Tanzania	100.00

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Stable

Stable outlook reflects that the company is likely to sustain its overall business performance due to the benefits accruing from the integrated and diversified nature of operations along with favourable Government's policies for sugar industry.

Key strengths**Growing scale of operations with moderate profitability and solvency**

The company has completed the expansion project in FY22 resulting in increase in sugar crushing capacity by 7300 TCD (tonnes crushed per day) and distillery capacity by 240 KLPD (kilo litres per day). Enhanced capacity coupled with adequate availability of sugarcane and growing demand for sugar and ethanol, resulted in more than 100% growth in revenue from sugar division. The distillery segment registered a y-o-y growth of around 170% in FY22. Further, the poultry segment registered a growth of 51% primarily driven by increase in demand and realization for the poultry product while feed division registered a growth of around 20%.

On a consolidated basis, BAL registered a growth of 56% in Total Operating income (TOI) from Rs.2117.71 crore in FY21 to Rs.3305.72 crore in FY22. During 9MFY23, the company has registered a revenue of around Rs.3300 crore.

The overall PBILDT margin for the company remained moderate at 10.49% (P.Y. 10.37%) despite significant decline in profitability of poultry and trading division. Profitability is expected to be at the similar level in near to medium term with expected pressure on poultry division margin owing to high input cost.

BAL continues to have satisfactory capital structure with debt to equity at below unity and overall gearing at 1.34x as on March 31, 2022 as against 1.30x as on March 31, 2021. The slight deterioration was on account of new debt availed for the capex. Further, the debt protection matrices also remained moderate as reflected by total debt to gross cash accruals of 3.80x as at the end of FY22 (P.Y. 4.16x) and Interest coverage of 5.83x for FY22 (P.Y. 5.08x). The solvency position is expected to deteriorate marginally owing to the debt funded capex and incremental working capital borrowing to support the growing operations.

Diversified businesses in the agro related activities coupled with integrated operations of sugar and poultry segments

BAL has been in the business of poultry farming for over three decades. It has integrated poultry operations from hatchery to broiler & layer farming along with contract farming. Further, it has backward integration in feed-mill segment. The company is also engaged in selling of value added and packaged chicken products. Moreover, the company also has a fully integrated operations in sugar division with diversified revenue streams from sale of sugar, co-generation of power and distillery which help the company absorb fluctuations in the prices of raw material (sugarcane) and finished goods. The price fluctuation risk is expected to be minimized to certain extent with the completed debt funded capacity expansion in the distillery segment and set up of facility for refined white sugar. Furthermore, the co-gen unit also enables a stable stream from the sale of power and reduces the impact of cyclicity on the profitability of the company. In addition to the above segments, the company is also engaged in the trading of sugar, milk, fruits, vegetables and other agricultural & horticultural products wherein it caters to the international markets. Trading is an opportunistic business for BAL and company's main focus is on revenue from manufacturing activity only. The majority of the revenue is derived from sugar division owing to the growing demand of ethanol followed by poultry and feed division.

Experienced promoters & professional management

Promoted by Shri Rajendra Pawar, BAL has a successful track record of over three decades in the industry. The company is managed by a six-member Board of Directors with Mr. Rajendra D. Pawar being the Chairman and Managing Director and is currently being spearheaded by his son, Mr. Rohit Pawar (CEO and Executive director). The management is assisted by a team of technical and finance professionals with experience in relevant fields for the company's day-to-day operations.

Cordial Relationship with farmer community leading to sufficient procurement of cane

BAL's promoters enjoy cordial relationship with local farmers in Baramati and nearby areas and have a network of more than 20,000 farmers. The timely payment as per the market rates for cane and rearing of poultry for contract broiler farming ensure farmer's loyalty to BAL. Further, the manufacturing facility of BAL is well equipped with modern technology with SAP systems installed and integrated with the cane management system (CMS) which enables to track the efficiency and control any slippages in the internal control system.

Diversified distribution network of its products and presence of retail outlets through own brands

The company sells its products under the brand name of 'Baramati Agro Fresh chicken' and 'Elicious'. 'Baramati Agro Fresh Chicken' brand is well established in Maharashtra, particularly in Pune, Nashik & Pimpri-Chinchwad region with more than 4500

shops associated with the brand for the sale of Live Broiler birds. The company launched exclusive outlets under the name of 'Chicken Vicken' and this franchise-based model has around 300 stores. In the cattle feed segment, the company has a network of more than 350 distributors and 800 farmers spread across the states of Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu and Gujarat. In the feed mill division, the company manufactures and sells the cattle feed under its own brand viz. 'Baramati Agro Pashu Aahar'.

Key weaknesses

Planned debt funded capex

The company is expanding its sugar and poultry facility with addition of three new products under sugar division and storage facility for raw material. The total cost of the project is around Rs.550 crore of which around Rs.100 crore is to be executed in FY23 and remaining in FY24. The project is proposed to be funded through debt (~70%) and internal accruals (~30%). The debt is mainly for sugar division project and project under poultry division will be funded through internal accruals.

The addition in crushing capacity under sugar division is mainly to cater the requirement of molasses for distillery division which reduces the saleability risk of the project to a large extent. The company is adding three new products under its sugar division namely pharma grade ethanol, compressed biogas, and bio powder which are expected to fetch higher realizations and margin considering limited input cost. Further, under poultry division the expansion is with respect to the chicken processing unit.

The financial closure for the project is achieved for FY23, however, for FY24 project, it is yet to be achieved. The ability of the company to complete the project as per the envisaged timeline and generate the desired benefits from the project will be crucial for the overall financial risk profile and will be a key rating monitorable. However, the company has a track record of on/before time completion of the projects executed in the past which reduces the execution risk to some extent.

Inherent risks associated with sugar and poultry industry Sugar industry is highly regulated industry

Cyclical nature of sugar industry and volatility in prices results in significant impact on operating performance of sugar companies. These apart operations are susceptible to cane availability which is a challenge due to adverse climatic conditions. However, with recent capex for mill white refined sugar, the company will have the option to procure raw sugar from international/domestic market and subsequently sell the processed export quality Mill White Sugar. This will mitigate the cyclicity risk to a large extent. The major raw material for the poultry segment is the poultry feed which consist of maize and soya accounting for more than 70% of the overall cost. The profitability is highly susceptible to the volatility in raw material prices. The performance of the segment is also exposed to outbreak of any flu or diseases associated with poultry. The same directly hinders the demand of the poultry products adversely impacting the poultry prices. However, BAL follows standard practices for biosecurity which demarcates it from backyard and unorganized farming and also shields from the impact of outbreak to some extent. Nonetheless the vulnerability of such flu outbreaks still exists along with margins being susceptible to volatility in raw material.

Further, the sugar and poultry industry are highly fragmented in nature with presence of large number of small and unorganized players. This exposes the company to competition risk from other players and also puts pricing pressure on the company. However, owing to the integrated operations in both the division, the company is able to maintain its market position and grow its scale of operations.

Working capital intensive nature of operations due to long inventory holding period

Seasonal nature of the sugar industry and long production cycle in the poultry segment results in long operating cycle for the company which stood at 83 days in FY22 as against 77 days in FY21. However, usually the company makes payment to farmers within stipulated time and sells to sugar institutional customers on less than 30 days credit terms and to traders on cash basis. The average inventory holding was 96 days in FY22 as against 101 days in FY21.

Liquidity: Adequate

Liquidity of BAL is characterized by sufficient cushion in accruals vis-à-vis repayment obligations. Further, the company has free cash & cash equivalents to the tune of around Rs.160 crore as on December 31, 2022 as against Rs. 43 crore as on December 31, 2021. The cash balance is expected to be utilized towards the ongoing capex. In addition, the average maximum working capital borrowing utilization for the 12 months ended December 31, 2022 was around 57%. The unutilized bank lines provide additional liquidity cushion.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

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[Wholesale Trading](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Sugar

Incorporated on January 14, 1988, Baramati Agro Limited (BAL) is engaged in the business of poultry & poultry products; production of cattle and poultry feed, manufacturing and selling of sugar, distillery products and electricity; trading of sugar, grain, fruits and vegetables. The fully integrated sugar division of BAL comprises of three sugar production units with an aggregate installed capacity of 20,000 TCD (tones crushed per day), molasses-based distillery unit with installed capacity of 5.00 lakh LPD (Litres Per Day) and 46.75 Mega Watt bagasse-based co-generation unit. The company has a brooding and growing capacity of 3.40 lakh birds per annum. Furthermore, the company has feed mill units located at Baramati (Maharashtra), Yeola (Maharashtra) and Kuppam (Andhra Pradesh) with a combined capacity of 4.20 lakh Metric Ton per Annum and it sells its feed under its own brand.

(₹ crore)

Brief Financials – Consolidated	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	2,117.71	3,305.72	3,266.06
PBILDT	219.57	346.80	NA
PAT	91.74	156.64	NA
Overall gearing (times)	1.30	1.34	NA
Interest coverage (times)	5.08	5.83	NA

A: Audited; UA: Un-audited; NA: Not Available; Note: 'the above results are latest financial results available'

(₹ crore)

Brief Financials – Standalone	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	2,080.75	3,250.16	3,255.82
PBILDT	211.45	341.83	268.40
PAT	83.97	151.68	41.39
Overall gearing (times)	1.36	1.40	1.38
Interest coverage (times)	4.92	5.76	4.75

A: Audited; UA: Un-audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	660.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	August 2030	653.85	CARE A; Stable
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	-	-	-	-	20.00	CARE A; Stable / CARE A1
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	-	20.00	CARE A; Stable / CARE A1
Fund-based/non-fund-based-LT/ST	-	-	-	-	643.20	CARE A; Stable / CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	660.00	CARE A; Stable	-	1)CARE A-; Positive (15-Feb-22)	1)CARE A-; Stable (30-Mar-21)	1)CARE A-; Stable (19-Feb-20)
2	Fund-based - LT-Term Loan	LT	653.85	CARE A; Stable	-	1)CARE A-; Positive (15-Feb-22)	1)CARE A-; Stable (30-Mar-21)	1)CARE A-; Stable (19-Feb-20)
3	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST*	20.00	CARE A; Stable / CARE A1	-	1)CARE A-; Positive / CARE A2+ (15-Feb-22)	1)CARE A-; Stable / CARE A2+ (30-Mar-21)	1)CARE A-; Stable (19-Feb-20)
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	20.00	CARE A; Stable / CARE A1	-	1)CARE A-; Positive / CARE A2+ (15-Feb-22)	1)CARE A-; Stable / CARE A2+ (30-Mar-21)	1)CARE A-; Stable / CARE A2+ (19-Feb-20)
5	Fund-based/non-fund-based-LT/ST	LT/ST*	643.20	CARE A; Stable / CARE A1	-	1)CARE A-; Positive / CARE A2+ (15-Feb-22)	1)CARE A-; Stable / CARE A2+ (30-Mar-21)	1)CARE A-; Stable / CARE A2+ (19-Feb-20)

*LT/ST – Long-term/short-term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
4	Fund-based/non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

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About us:

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