

Baramati Agro Limited

March 18, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,315.08 (Enhanced from 1,313.85)	CARE A-; Negative	Revised from CARE A; Stable
Long-term / short-term bank facilities	783.20 (Enhanced from 683.20)	CARE A-; Negative / CARE A2	Revised from CARE A; Stable / CARE A1

Details of facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Baramati Agro Limited (BAL) factors in moderation in its financial risk profile marked by decline in profitability and moderation in debt coverage indicators in 9MFY24 (FY refers to April 01 to March 31) owing to subdued performance of sugar and poultry division. The sugar division performance was affected by lower sugar production in Maharashtra and government regulation on limiting diversion of sugar towards ethanol, while profitability of the poultry division was impacted by higher feed prices. Ratings' revision also factors in large-sized debt-funded capex incurred by the company, resulting in elevated debt levels, which with lower profitability, would impact return indicators in the medium term.

Ratings continue to derive strength from the company's established track record, experienced and resourceful promoters, diversified revenue stream from poultry, feed-mill, sugar, and trading businesses and fully integrated operations of its sugar divisions. Ratings are further supported by cordial relationships with farmers, leading to adequate availability of cane and diversified distribution network.

However, ratings' strengths are constrained by inherent risks associated with sugar and poultry industry, working capital intensive operations, and profitability to susceptible to raw material price movements. CARE Ratings Limited (CARE Ratings) takes cognisance of high input cost in feed and poultry industry, which is expected to keep margins under pressure in the near term.

CARE Ratings also considers the Enforcement Directorate (ED) order of provisional attachment of assets for its Aurangabad sugar unit, which was acquired by the company in 2012 by auction. This plant contributes less than 10% of its TOI and CARE Ratings would continue to monitor the developments and its impact, on the company's financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Increasing scale of operations to ₹5,000 crore and above on a sustained basis, while maintaining profit before interest, lease rentals, depreciation, and taxes (PBILDT) margin in the range of 10-12%.
- Improving capital structure with overall gearing below unity on a sustained basis.

Negative factors

- Un-envisaged sizable debt, leading to deteriorating overall gearing to 1.80x or above, on a sustained basis.
- Higher-than-envisaged declining profitability, resulting in Debt/PBILDT above 6x.
- Adverse change in government policies affecting the company's operations and cash flows.

Analytical approach: Consolidated

CARE Ratings has analysed BAL's credit profile by considering consolidated financial statements owing to financial, business, and operational linkages between the parent and subsidiaries. Both subsidiaries operate in similar lines of business (trading of agro products) and are under a common management team and brand name. These subsidiaries are strategically important to the parent's business as they act as its extension in different regions and geographies. Details of subsidiaries consolidated as on March 31, 2023, are as below:

Sr.no.	Name of the subsidiary	Country of incorporation	% of holding as on March 31, 2023
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: Negative

Revision in outlook from 'Stable' to 'Negative' is considering CARE Ratings' expectation of continued pressure on BAL's profitability due to elevated input prices in poultry division and sugar division impacted by lower sugar production and government regulation on utilising ethanol capacity. The outlook may be revised to 'Stable' if there is better-than-envisaged improvement in scale and profitability.

Detailed description of the key rating drivers

Key strengths

Growing scale of operations with moderate profitability and solvency

BAL primarily operates in three divisions: sugar, poultry, and feed. The sugar division is the largest revenue contributor, accounting for 41% of the total revenue, while the poultry division contributes 40%. In FY23, the sugar division witnessed significant growth of 63% largely from increase in sale of by-products and distillery division witnessed 23% growth in revenue. The poultry division experienced significant revenue growth of approximately 47% in FY23, attributed to a rise in demand for poultry products and increased sales realisation. On a consolidated basis, BAL registered growth of 42% in total operating income (TOI) from ₹3305.72 crore in FY22 to ₹4695.25 crore in FY23. On standalone basis, BAL registered growth of 43% in TOI from ₹3250 crore in FY22 to Rs 4664.19 crore in FY23. In 9MFY24, on a standalone basis, TOI has remained largely stable at ₹3182 crore as against ₹3253 crore, showing a marginal decline of 2%.

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

BAL has been in poultry farming for over three decades. It integrated poultry operations from hatchery to broiler, layer farming and contract farming. It has backward-integration in its feed-mill segment. The company is also engaged in selling value-added and packaged chicken products. It also has a fully integrated operations in the sugar division with diversified revenue streams from sale of sugar, co-generation of power and distillery, which helps absorb fluctuations in prices of raw material (sugarcane) and finished goods to a certain extent. Price fluctuation risk is expected to be minimized to an extent with completed debt-funded capacity expansion in the distillery segment and setting up facility for refined white sugar. The co-gen unit also enables stable stream from sale of power and reduces impact of cyclicity on the company's profitability. The company is also engaged in trading sugar, milk, fruits, vegetables, and other agricultural and horticultural products to international markets. Trading is an opportunistic business for BAL and the company's focus is on revenue from manufacturing activities. Majority revenue is derived from the sugar division followed by poultry and feed divisions.

Division	FY19	FY20	FY21	FY22	FY23	9MFY24
<i>Sugar</i>	37%	36%	34%	48%	49%	41%
<i>Poultry</i>	28%	27%	29%	28%	27%	40%
<i>Feed</i>	15%	21%	19%	15%	13%	16%
<i>Trading</i>	20%	16%	18%	9%	11%	3%

Diversified distribution network and presence of retail outlets through own brands

The company sells its products under the brand 'Baramati Agro Fresh chicken' and 'Elicious'. 'Baramati Agro Fresh Chicken' brand is well-established in Maharashtra, particularly in Pune, Nashik, and Pimpri-Chinchwad, with more than 4500 shops selling its Live Broiler birds. The company launched exclusive outlets under '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 Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu, and Gujarat. In the feed mill division, the company manufactures and sells cattle feed under its own brand 'Baramati Agro Pashu Aahar'.

Experienced promoters & professional management

Promoted by 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 Rajendra D Pawar being the Chairman and Managing Director. The company is currently being spearheaded by his son, 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 cane procurement

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 per market rates for cane and rearing poultry for contract broiler farming ensure farmers' loyalty to BAL. BAL's manufacturing facility is well-equipped with modern technology, SAP systems installed and integrated with cane management system (CMS) to track efficiency and control slippages in the internal control system.

Key weaknesses

Moderate profitability and debt coverage indicators

Overall, the company's PBILDT margin declined and stood at 9.80% in FY23 as against 10.49% in FY22, considering significant decline in profitability of poultry and trading division primarily due to higher input costs in the poultry division. Its sugar division

had reported better segment margin in FY23 over FY22, but its poultry division margin declined significantly. On a standalone basis, PBILDT margin stood at 9.62% in FY23 as compared to 10.52% in FY22. However, profitability declined significantly in 9MFY24 over 9MFY23 led by higher input cost in poultry division with lower sales realisation. PBILDT margin, on a standalone basis, deteriorated to 5.12% as against 8.10% in 9MFY23. With higher interest cost of recently concluded capex, this led to a decline in PAT margin to 1.27% in 9MFY24 as compared to 9MFY23. CARE Ratings expects profitability to remain subdued in the near-to-medium term with expected pressure on poultry division margin owing to high input cost. Government restriction on sugar utilisation towards ethanol considering lower sugar production would impact utilisation of ethanol capacity, which has a higher margin.

On a consolidated basis, BAL continues to have moderate capital structure marked by overall gearing at 1.18x as on March 31, 2023, as against 1.34x as on March 31, 2022. Debt-protection matrices also remained moderate as reflected by total debt to gross cash accruals (TD/GCA) of 3.30x as at the end of FY23 (PY 3.80x) and interest coverage of 6.38x for FY23 (PY 5.83x). However, considering debt availed for its expansion, and moderating PBILDT margins, capital structure and debt coverage indicators are expected to deteriorate in the near-to-medium term from FY23 levels. Hence the company's ability to improve its profitability margin remains key monitorable.

Project Risk albeit near to completion

The company expanded its sugar and poultry facility with three new products under sugar division and storage facility. The total cost of the project was around ₹795 crore (sugar division: ₹711 crore, poultry division: ₹50 crore and storage: ₹35 crore), of which, around ₹687 crore (87% of total project cost) completed till January 2024 and balance work is expected to be completed by March 2024. The addition in crushing capacity under sugar division is mainly to cater to molasses required for the distillery division. The company is adding three new products under its sugar division: pharma grade ethanol, compressed biogas, and bio powder, which are expected to fetch higher realisations and margin considering limited input cost. 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 processed export-quality Mill White Sugar. Further, under the poultry division, the expansion for the chicken processing unit. The capacity utilisation of the sugar division will largely depend on cane availability and government regulation regarding diversion of juice to produce ethanol. Hence, the company's ability to optimally utilise the expanded capacity remains critical from credit perspective and remain key monitorable.

Inherent risks associated with sugar and poultry industry; sugar industry being highly regulated

Cyclical nature of the sugar industry and price volatility results in significant impact on operating performance of sugar companies. Operations are also susceptible to cane availability, which is a challenge due to adverse climatic conditions.

Poultry feed is a major raw material for the poultry segment, which consist of maize and soya, accounting for more than 70% of the overall cost. Profitability is highly susceptible to volatile raw material prices. The segment's performance is also exposed to outbreak of flu or diseases associated with poultry. It directly hinders demand of poultry products, adversely impacting poultry prices. However, BAL follows standard practices for biosecurity, which demarcates it from backyard and unorganised farming. It also shields the company from impact of outbreak to some extent. Irregular outbreaks such as bird flu have affected the poultry industry. Vulnerability of such flu outbreaks still exists and may impact companies' fortunes related to the poultry sector.

Further, sugar and poultry industries are highly fragmented with presence of large number of small and unorganised players. This exposes the company to competition risk from other players and adds pricing pressure. However, owing to integrated operations in both divisions, the company can maintain its market position and grow its scale of operations.

Working capital intensive operations due to long inventory holding period

Seasonal nature of the sugar industry and long production cycle in the poultry segment resulted in long operating cycle for the company, which stood at 71 days in FY23 as against 83 days in FY22. 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 82 days in FY23 as against 96 days in FY22.

Provisional attachment of certain asset by ED

Per the press release dated March 08, 2024, the ED attached assets belonging to BAL (provisional attachment), including land, machinery, and buildings of Aurangabad sugar unit, which was acquired by the company in an auction in 2012 from Maharashtra State Co-operative Bank (MSCB Bank). ED attachment was linked to its investigations related to the MSCB scam. This plant contributes less than 10% it's in TOI and CARE Ratings would continue to monitor the development and its impact on the company's financial risk profile.

Industry Update:**Sugar**

The Indian Sugar Mills Association (ISMA) estimates that India's sugar production to fall by 10% to 33.05 million tonnes in the 2023-24 marketing year, down from 36.62 million tonnes in the previous year. This is due to Government's lack of diversion of sweetener for ethanol-making from sugarcane juice and B-heavy molasses.

Poultry

Stable with increasing demand of poultry products, however, high input prices are likely to keep margins under pressure.

Liquidity: Adequate

Liquidity of BAL is characterised by sufficient cushion in accruals against repayment obligations and moderate free cash balance of and cash and cash equivalents worth around ₹147 crore as on December 31, 2023, as against ₹120 crore as on December 31, 2022. The cash balance will be utilised towards balance ongoing capex. The company is expected to generate a GCA of ₹200 crore in FY24 as against repayment of ₹90 crore in FY24. Average CC utilization for 12-months ended December 31, 2023, stood at around 51%. These unutilised bank lines provide additional liquidity cushion.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry**Industry Classification**

Macro-economic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Agricultural food and other products	Sugar

Incorporated on January 14, 1988, Baramati Agro Limited (BAL) is engaged in poultry and poultry products; production of cattle and poultry feed, manufacturing and selling sugar, distillery products and electricity; trading of sugar, grain, fruits, and vegetables. BAL's fully integrated sugar division comprises three sugar production units with an aggregate installed capacity of 20,000 TCD (tonnes 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. Its feed mill units at Baramati (Maharashtra), Yeola (Maharashtra) and Kuppam (Andhra Pradesh) have a combined capacity of 4.20 lakh metric tonne per annum and the company sells its feed under its own brand.

(₹ crore)

Brief Financials – Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	3,305.72	4695.35	NA
PBILDT	346.80	460.11	NA
PAT	156.02	245.55	NA
Overall gearing (times)	1.34	1.18	NA
Interest coverage (times)	5.83	6.38	NA

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

(₹ crore)

Brief Financials – Standalone	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	3,250.16	4664.49	3182.24
PBILDT	341.83	448.91	162.82
PAT	151.68	237.64	40.26
Overall gearing (times)	1.40	1.24	1.24
Interest coverage (times)	5.76	6.24	2.70

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	660.00	CARE A-; Negative
Fund-based - LT-Term Loan		-	-	31-03-2028	655.08	CARE A-; Negative
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing		-	-	-	20.00	CARE A-; Negative / CARE A2
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	20.00	CARE A-; Negative / CARE A2
Fund-based/non-fund-based-LT/ST		-	-	-	743.20	CARE A-; Negative / CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	660.00	CARE A-; Negative	-	1)CARE A; Stable (06-Mar-23)	1)CARE A-; Positive (15-Feb-22)	1)CARE A-; Stable (30-Mar-21)
2	Fund-based - LT-Term Loan	LT	655.08	CARE A-; Negative	-	1)CARE A; Stable (06-Mar-23)	1)CARE A-; Positive (15-Feb-22)	1)CARE A-; Stable (30-Mar-21)
3	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST	20.00	CARE A-; Negative / CARE A2	-	1)CARE A; Stable / CARE A1 (06-Mar-23)	1)CARE A-; Positive / CARE A2+ (15-Feb-22)	1)CARE A-; Stable / CARE A2+ (30-Mar-21)
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	20.00	CARE A-; Negative / CARE A2	-	1)CARE A; Stable / CARE A1	1)CARE A-; Positive / CARE A2+	1)CARE A-; Stable / CARE A2+

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
						(06-Mar-23)	(15-Feb-22)	(30-Mar-21)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	743.20	CARE A-; Negative / CARE A2	-	1)CARE A; Stable / CARE A1 (06-Mar-23)	1)CARE A-; Positive / CARE A2+ (15-Feb-22)	1)CARE A-; Stable / CARE A2+ (30-Mar-21)

LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of 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-Bill Discounting/ Bills Purchasing	Simple
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
5	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

Annexure-6 List of all the entities consolidated.

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Baramati Agro Singapore Pte. Ltd	100%	Owing to financial, business, and operational linkages between the parent and subsidiaries
2	Baramati Agro Tanzania Limited	100%	Owing to financial, business, and operational linkages between the parent and subsidiaries

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

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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