

Beri Udyog Private Limited

September 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	61.00	CARE A-; Stable	Reaffirmed
Short-term bank facilities	7.50 (Enhanced from 5.00)	CARE A2+	Reaffirmed
Short-term bank facilities (BG/LC)	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Beri Udyog Private Limited (BUPL) continues to derive strength from its experienced promoters with long track record of operations in the agri-equipment industry, long-term relationship with an established customer base, and wide global distribution network with moderate order book position in hand. Ratings further continue to take comfort from BUPL's comfortable financial risk profile characterised by sustained improvement in capital structure and debt coverage indicators. Ratings take cognisance of the stagnant scale of operations in last four years through FY24 (refers to April 1 to March 31) with sustained healthy profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins in FY24. However, these rating strengths continue to remain constrained by competition from organised and unorganised players, working capital intensive business operations largely considering sustained elongation in collection period, and exposure to raw material price volatility and foreign exchange fluctuations.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to the BG/LC of BUPL with immediate effect, as the company has repaid the aforementioned facility in full and there is no amount outstanding under the said facility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to increase its scale of operations above ₹500 crore or more by adding new customers, markets, and products while maintaining PBILDT margins at current levels.
- Significantly improving collection period resulting into improved liquidity position.
- Diversifying product profile reflecting overall improvement in business profile.

Negative factors

- Increasing overall gearing beyond 1.00x on a sustained basis.
- Declining scale of operations below ~₹300 crore and/or profitability margins as marked by PBILDT margin below ~10% on a sustained basis.
- Increasing collection period of the company resulting in stretched working capital cycle and low liquidity position.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings' opinion that the company will continue to benefit from the promoters' vast experience in the farm equipment industry and comfortable financial risk profile.

Detailed description of key rating drivers:

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

Key strengths

Comfortable financial risk profile

The company's financial risk profile remained comfortable characterised by comfortable overall gearing, debt coverage indicators, and sustained profitability margins. The company's overall gearing improved to 0.19x as on March 31, 2024, as against 0.53x as on March 31, 2023, mainly considering accretion of profits to reserves and lower utilisation of working capital limit. The debt coverage indicators also remained comfortable marked by total debt/ gross cash accruals (GCA) of 0.84x as on March 31, 2024 (PY: 2.13x). The capital structure and debt coverage indicators are expected to gradually improve in the absence of no major capex planned and gradual accretion of profits.

In FY24(UA), the company's total operating income (TOI) stood at ₹393.66 crore (PY: ₹377.53 crore) and remained range bound (between ₹363 crore and ₹393 crore) in the last four years. PBILDT margins sustained at healthy levels at 17.42% in FY24(UA) as against 17.33% in FY23. The company also has a moderate order book position in hand with export orders of ~₹220 crore and domestic orders of ~₹80 to ~₹85 crore providing revenue visibility over the near term. CARE Ratings observes, going forward, the company's ability to grow its scale of operations substantially while sustaining the healthy PBILDT margins shall remain monitorable.

Experienced promoters with long track record of operations

BUPL was established in 1978 by Ravi Beri and his father, Late Prakash Chand Beri. The company is currently managed by Ravi Beri, a first-generation entrepreneur with over three decades of experience in the farm equipment industry. He is ably supported by his sons, Karan Beri and Vikram Beri, and a team of professionally qualified executives.

Established client base with long-term relationship and its wide marketing and distribution network

BUPL is engaged in manufacturing farm equipment. The company has long-term relationship with their domestic and export customers and has received repeat orders from them. The company supplies its products under the established brand name of "Fieldking" and "Beroni" which has a good brand recall in the domestic and exports market. BUPL has a strong marketing and distribution network consisting of a network of over 450 dealers and 50 distributors across India. In export market, the company is present in more than 106 countries, including the US, Benin Republic, Ethiopia, Ghana, and Tunisia, among others, with network of more than 185 dealers and distributors. Majority of the company's exports sales are against Letter of Credit and the balance are covered through Export Credit Guarantee Cover (ECGC), whereas majority of domestic sales are on cash and carry basis.

Key weaknesses

Working capital intensive business operations

The company has working capital intensive business operations attributable to long inventory and collection cycle. The company's operating cycle increased to 173 days in FY24(UA) from 162 days in FY23 mainly due to increase in the collection period. The collection period of the company increased to 131 days in FY24(UA) from 113 days in FY23 owing to sales concentration in the last quarter. However, the receivables reduced from ₹130.19 crore as on March 31, 2024 to ₹116.72 crore as on June 30, 2024. The average inventory holding stood at 79 days for FY24(UA) (PY-97 days). However, the average working capital utilisation stood low at around 29% owing to utilisation of own cash realisation to manage the business liquidity.

Exposure to raw material price volatility and foreign exchange fluctuation

MS steel is one of the major raw materials procured from primary manufacturers such as Steel Authority of India Limited (SAIL), Tata Steel, and from other local suppliers. The raw material cost accounted for around 61% of the TOI in FY24(UA), and sharp volatility in raw material prices can adversely impact its profitability. However, the company can pass on moderate price hikes to clients and has been able to keep its margins comfortable over the years, which mitigate the risk to some extent. Exports contribute substantially to the company's operating income. In FY24, exports contributed nearly 57% of the total sales (PY: around 61%). BUPL exports to more than 106 countries, including South Africa, USA, Zimbabwe, Congo (DRC), Mauritius, Nepal, Europe and others. The company majorly hedges its foreign currency exposure to mitigate the foreign exchange fluctuation risk.

Competition from unorganised and organised players

BUPL operates in highly competitive environment consisting of several unorganised players, considering low entry barriers and low capital requirement to set up operations of manufacturing agricultural implements. The company has competition from other established players as well. To overcome this competition, BUPL is manufacturing wide range of products under its own brand – "Fieldking" and "Beroni" providing solution from sowing till cultivation. CARE Ratings notes that its strong marketing and distribution channel mitigates the risk to some extent.

Liquidity: Adequate

The company's liquidity position is adequate with free cash and bank balance of ₹5.38 crore as on March 31, 2024. The cash and bank balance as on June 30, 2024 stood at ₹15.45 crore. The company is expected to achieve GCA of ~₹60.59 crore in FY25, with no term debt obligation.

The company's operations are working capital intensive with an operating cycle of 173 days (PY-162) for FY24(UA). However, the average working capital utilisation stood low at around 29% for last 12 months ended June 2024 as against previous year utilisation of ~75%. The company has utilised its own cash realisation to manage the business liquidity.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial manufacturing	Industrial products

BUPL was established in 1978 by late Prakash Chand Beri. The company is engaged in manufacturing tractor-drawn soil preparation agricultural implements such as rotary tillers, disc harrows, disc ploughs, tipping trailers, cultivators, and land levelers, among others. It has a wide portfolio of 350+ products customised for catering to soil types. It sells its equipment under the brand name of "Fieldking" and "Beroni" in both domestic and international markets. BUPL has two manufacturing facilities in Karnal and Begumpur, Haryana, with a total installed capacity of producing 62,004 units per annum of farm implements as on June 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25(UA)
Total operating income	377.53	393.66	59.18
PBILDT	65.43	68.57	9.70
PAT	35.72	40.67	4.87
Overall gearing (times)	0.53	0.19	0.22
Interest coverage (times)	9.75	14.97	9.79

A: Audited UA: Unaudited; 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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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 and Rating Outlook
Fund-based - LT-Working capital limits		-	-	-	61.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward contract		-	-	-	7.50	CARE A2+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term loan	LT	-	-	-	1)Withdrawn (05-Sep-23)	1)CARE A-; Stable (06-Oct-22)	1)CARE A-; Stable (09-Mar-22) 2)CARE BBB+; Positive (06-Oct-21)
2	Fund-based - LT-Working capital limits	LT	61.00	CARE A-; Stable	-	1)CARE A-; Stable (05-Sep-23)	1)CARE A-; Stable (06-Oct-22)	1)CARE A-; Stable (09-Mar-22) 2)CARE BBB+; Positive (06-Oct-21)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A2+ (05-Sep-23)	1)CARE A2+ (06-Oct-22)	1)CARE A2+ (09-Mar-22) 2)CARE A2 (06-Oct-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
4	Non-fund-based - ST-Forward contract	ST	7.50	CARE A2+	-	1)CARE A2+ (05-Sep-23)	1)CARE A2+ (06-Oct-22)	1)CARE A2+ (09-Mar-22) 2)CARE A2 (06-Oct-21)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital limits	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Forward contract	Simple

Annexure-5: Lender details

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Dhruv Mittal Assistant Director CARE Ratings Limited Phone: 91-120-4452050 E-mail: dhruv.mittal@careedge.in
	Lalit Malhotra Lead Analyst CARE Ratings Limited E-mail: Lalit.malhotra@careedge.in

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:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**