

Bnazrum Agro Exports Private Limited

February 19, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|--------------------------------|---------------------|--|
| Long Term Bank Facilities | 49.00 (Enhanced from 21.25) | CARE B; Stable | Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE D ; Stable outlook assigned |
| Long Term Bank Facilities | - | - | Withdrawn |
| Short Term Bank Facilities | - | - | Withdrawn |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Bnazrum Agro Exports Private Limited (BAEPL) as 'ISSUER NOT COOPERATING'. BAEPL has now cooperated by providing the necessary information for undertaking the review.

The rating assigned to the bank facility of BAEPL has been revised taking into the satisfactory track record of debt servicing. The rating however is moderated by small scale of operations, weak capital structure and debt coverage indicators. The ratings are further tempered by heavy competition, seasonality risk, foreign exchange fluctuation risk and working capital intensive nature of operations. However, the rating is comforted by the extensive experience of the promoters in the industry.

CARE Ratings has withdrawn the ratings assigned to the term loan facility and FBP/FBN facility of the company as it has repaid the aforementioned loans in full and there is no amount outstanding under the loan as on date as per the no due confirmation from the lender.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) over ₹75.00 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin over 7% on a sustained basis.
- Improvement in operating cycle to below 200 days.

Negative factors

- Deterioration in working capital cycle and weakening of liquidity profile.
- Increase in leverage with overall gearing exceeding 3.00x.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the company is expected to sustain the operations in the medium term supported by the extensive experience of the promoters in the segment.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations with volatile profit margins:

The scale of operations of the company marked by total operating income (TOI) continued to remain small within the range of ₹75.00 crore, however the firm had registered TOI of ₹56.32 crore in FY24 (a 24% increase) against ₹45.32 crore in FY23. In 10m FY25 the company had generated revenue of ₹50.00 crore.

Due to the nature of the business, which is susceptible to fluctuations in raw gherkin prices due to seasonal variations and labour-intensive processes, profit margins have shown volatility. The increased expenses could not be passed on to customers entirely, resulting in a decline in operating profits from 7.56% in FY23 to 6.43% in FY24.

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

Weak capital structure and debt coverage indicators:

The capital structure of the company marked by overall gearing stood leveraged at 2.26x as on March 31, 2024, against 1.92x as on March 31, 2023, on account of increased working capital utilisation. The debt coverage indicator marked by Total Debt/ Gross cash accruals (GCA) stood at 31.02x as on March 31, 2024, against 38.23x as on March 31, 2023.

High working capital intensity:

The entity's operations are highly working capital intensive, as evidenced by a working capital cycle of 252 days in FY24 (PY: 304 days). The inventory holding period remained elevated at 255 days in FY24 (PY: 258 days), primarily due to the long shelf life of gherkins and the need to maintain sufficient stock levels to fulfill orders. Raw materials and finished goods accounted for 68% and 32% of the total inventory, respectively.

Highly competitive industry and seasonality associated with Agri-based business:

The Gherkins industry is highly fragmented and therefore strong competition arises from both organized as well as unorganized players in the domestic industry. This apart, the company could face competition from other gherkin-exporting nations like Germany and Turkey in the global market. The yield from cultivation can vary depending on changes in the climatic conditions impacting the material availability. Being an Agri-product, the availability is also subject to seasonality.

Foreign exchange fluctuation risk:

Due to the significant portion of the company's revenue derived from exports, the company faces the potential risk of foreign exchange fluctuations. To mitigate this risk, the company has implemented a hedging strategy that utilizes export forward contracts to partially offset the impact of currency movements.

Key strengths
Experienced promoters:

BAEPL was incorporated in August 1998 as a Private Limited Company by K S M Mohammed Saleem, M Zakira Saleem and N Dawood Mariyam Shehnaz. The Directors have more than two decades of experience in processing of Gherkins. Prior to establishing BAEPL, K S M Mohammed Saleem and his wife M Zakira Saleem were engaged in leather manufacturing and exporting business.

Liquidity: Stretched

Liquidity is stretched, marked by moderate current ratio, high utilization of its working capital limits and moderate cash accruals. While the current ratio was at 1.18x, its quick ratio remained low at 0.47x as on March 31, 2024. The average inventory days in last two fiscal year(s) remained high at 257 days. Operations are highly working capital intensive, and the average working capital utilisation stood at over 95% for the last 12 months ended January 2025. Unencumbered cash and bank balance was around Rs.5.15 crore as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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](#)

About the company and industry
Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|----------------------------|----------------------------|---------------|---------------------|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Food Products | Other Food Products |

Dindigul, Tamil Nadu, based BAEPL was incorporated in August 1998 by Mr. K S M Mohammed Saleem and Mrs. M Zakira Saleem. BAEPL is engaged in processing of Gherkins and operates at a 30-acre factory in Dindigul. The company purchases its 60% raw

material i.e. gherkins from local farmers located in Dindigul region, Tamil Nadu and remaining 40% from agents located in Andhra Pradesh and Karnataka. BAEPL is Export Oriented Unit (EOU) i.e., 100% of the exports mainly to US, Middle East countries like Iran, Iraq, United Arab Emirates (UAE) and European countries.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 10M FY25 (P) |
|----------------------------|--------------------|--------------------|--------------|
| Total operating income | 45.32 | 56.32 | 50.00 |
| PBILDT | 3.43 | 3.62 | NA |
| PAT | -0.22 | 0.25 | NA |
| Overall gearing (times) | 1.92 | 2.26 | NA |
| Interest coverage (times) | 1.37 | 1.46 | NA |

A: Audited P: Provisional NA: Not Available; 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-Packing Credit in Indian rupee | | - | - | - | 49.00 | CARE B; Stable |
| Fund-based - LT-Term Loan | | - | - | October 2020 | 0.00 | Withdrawn |
| Fund-based - ST-FBN / FBP | | - | - | - | 0.00 | Withdrawn |

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-Packing Credit in Indian rupee | LT | 49.00 | CARE B; Stable | 1)CARE D; ISSUER NOT COOPERATING * (01-Jul-24) | 1)CARE D; ISSUER NOT COOPERATING * (10-Apr-23) | - | 1)CARE D; ISSUER NOT COOPERATING * (20-Jan-22) |
| 2 | Fund-based - LT-Term Loan | LT | - | - | 1)CARE D; ISSUER NOT COOPERATING * (01-Jul-24) | 1)CARE D; ISSUER NOT COOPERATING * (10-Apr-23) | - | 1)CARE D; ISSUER NOT COOPERATING * (20-Jan-22) |
| 3 | Fund-based - ST-FBN / FBP | ST | - | - | 1)CARE D; ISSUER NOT COOPERATING * (01-Jul-24) | 1)CARE D; ISSUER NOT COOPERATING * (10-Apr-23) | - | 1)CARE D; ISSUER NOT COOPERATING * (20-Jan-22) |

*Issuer did not cooperate; based on best available information.

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-Packing Credit in Indian rupee | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - ST-FBN / FBP | Simple |

Annexure-5: Lender details

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

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:

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