

## B.L. Agro Industries Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	149.50	CARE A-; Stable	Assigned
Long-term / Short-term bank facilities	350.50	CARE A-; Stable / CARE A2+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to the facilities of B.L. Agro Industries Limited (BLAIL) derive strength from the company's healthy scale of operations supported by its diversified product portfolio of edible oils and Fast-moving consumable goods (FMCG). Ratings also derive comfort from long-standing experience of promoters in the edible oil industry and established brand name of 'Bail Kolhu' in North Indian and East Indian Market. Ratings are also strengthened by the company's moderate working capital requirements, which are expected to remain comfortable going forward. Ratings takes cognisance of change in the company's business model marked by a strategic shift from a mix of institutional sales and brand sales to purely brand sales, which is expected to reduce its working capital requirements and improvement in profitability margins going forward. Ratings also draw comfort from the company's average financial risk profile marked by moderate capital structure and debt coverage indicators, which is expected to improve driven by expected reduction in debt and better profitability. However, rating strengths are constrained by geographical and customer concentration risk exposure towards raw material price volatility and intense competition in edible oil sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustenance in the company's topline and an improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to over 6.50% on a sustained basis.
- Improvement in the capital structure of the company marked by an overall gearing of less than 0.75x on a sustained basis and Total Debt/PBILDT of less than 2x.

#### Negative factors

- Higher-than-envisaged debt funded capex leading to deterioration of capital structure marked by an overall gearing of above 1.50x.
- Significant decline in scale of operations with moderation in PBILDT margin to less than 5.20% on a sustained basis.

### Analytical approach: Standalone

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity shall benefit from strong brand 'Bail Kolhu' and market presence in North and East India and experience and resourcefulness of its promoters.

### Detailed description of key rating drivers:

#### Key strengths

#### Experienced and resourceful promoters having long-standing experience and an established brand presence of "Bail Kolhu"

BLAIL is promoted by Ghanshyam Khandelwal (Chairman) and his family, who have over three decades of experience in the edible oil industry. He expanded operation in and around Bareilly, transformed all on-going business under the brand 'Bail Kolhu' which is one of the most popular mustard oil brand among other prevailing brands in Northern India. Directors are actively engaged in the business, supported by an experienced second line of management. Promoters' long-standing experience with strong understanding of industry dynamics, and healthy relations with customers and suppliers has helped the company grow its scale of operations over the years.

#### Healthy scale of operations with focus on brand sales having better profitability margins

The company's total operating income (TOI) has grown by a compound annual growth rate (CAGR) of ~14% in the last five financial years ending FY24. Growth over the years has been backed by increased demand from edible oil segment and healthy

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

off-take of sales of FMCG segment under the brand name 'Nourish'. The demand is also driven by change in consumption patterns of domestic consumers.

However, given limited value additive nature of operations, the group's profitability margin (PBILDT) remains thin and range bound and have remained ~4-4.50% in the last five financial years ending FY23. In March 2024, the company has leased out one of its units to Laxmi Agro India Private Limited (Laxmi) having refining capacity of 350KLPD, which was catering to its Institutional clients for imported oils such as soyabean, palm oil, and sunflower oil among others. BLAIL would now be focusing on its own brand sales and packaging, improving profitability margins. Improvement in profitability margins driven by change in business model is evident from 9MFY25 numbers, where PBILDT margin stood at 6.63%. The company's margins are also constrained owing to higher advertisement expenses incurred on the brand promotion of 'Nourish' aimed to enhance brand visibility and consumer awareness.

With changing procurement patterns, increasing brand awareness, and penetration of organised retail, size of the branded edible oil industry is likely to increase, which augurs well for branded refined oil players. With focus of the company towards its own brand sales, profitability margins are expected to improve going forward.

#### **Average financial risk Profile**

The company's overall gearing has remained moderate, ranging between 1.7x and 2.0x in the last five fiscals, driven significant debt-funded capital expenditures in previous fiscals and reliance on external debt to meet increasing working capital requirements. However, the company's overall gearing improved to 1.43x as on March 31, 2024, due to improved profitability, which resulted in accretion of profits to net worth. BLAIL's debt protection metrics remained adequate, with an interest coverage ratio of 2.60x and total debt to gross cash accruals (TD/GCA) of 5.12x as on March 31, 2024. Going forward, debt coverage indicators are further expected to improve.

Going forward, in the absence of major debt-funded capital expenditures and expected reduction in working capital requirements of the company due to transfer of 350KLPD of refining capacity to Laxmi, CARE Ratings expects BLAIL's financial risk profile of to improve in the near-to-medium term.

#### **Moderate working capital requirements**

The company's working capital cycle has improved in the last five fiscal years ending FY24. This improvement is reflected by reduction in gross current assets days to 87 days as on March 31, 2024, from 100 days as on March 31, 2023. Inventory days have also improved from 67 days as on March 31, 2023, to 47 days as on March 31, 2024. A credit period of 15-35 days from suppliers further supports the working capital cycle. BLAIL usually has a cycle of ~45 days. For BLAIL, inventory is usually for 7-8 days, and processing takes 4-5 days. The company offers distributors ~25 days of credit. The company's working capital cycle is expected to remain comfortable going forward.

#### **Diversified Product Portfolio**

The company has a diversified product portfolio in edible oil and FMCG segments. The company primarily deals in mustard oil, sunflower oil and rice bran oil. Currently, the company offers over 45 products including atta, pasta, and daliya among others and a variety of pulses. With focus towards brand sales under 'Nourish', the company plans to expand to over 200 products going forward.

#### **Key weaknesses**

##### **Commodity price fluctuation risk**

The price of domestic oil is closely linked to international crude oil prices. Prices of edible oils are influenced by domestic oilseed prices, which are determined by production levels and minimum support price (MSP) set by the Government of India, and international market trends. Given that oil is an agricultural commodity, the industry experiences substantial government intervention. As a result, BLAIL is vulnerable to fluctuations in raw material costs. This dependency exposes the company to price volatility, which can impact its overall financial performance.

##### **Customer concentration risk**

The company is facing a significant customer concentration risk, as in FY24 and 9MFY25, top 10 customers collectively contributed ₹2451.22 crore, with the largest customer alone accounting for 40.87% of the total revenue. Similarly, 9MFY25, top 10 customers contributed ₹1426.86 crore, with top two customers together making up 59.45% of the total revenue. This heavy reliance on a few key customers/ distributors poses potential risks to the company if they reduce business or encounter financial difficulties. However, long-term association with these customers mitigates this risk to a large extent.

##### **Geographical concentration risk**

The company faces significant geographical concentration risk as Uttar Pradesh alone contributed ₹2527.98 crore, accounting for 77.34% of the total revenue of ₹3268.51 crore. Similarly, in the first nine months of FY25, Uttar Pradesh contributed ₹1633.72 crore, making up 91.45% of the total revenue of ₹1786.56 crore. This heavy reliance on a single state poses potential risks to the company if there are adverse economic or regulatory changes in that region. However, with growth in sales under the FMCG segment, the company is expanding its presence to other states in the country. Brand value of 'Bail Kolhu' in the Uttar Pradesh market also safeguards BLAIL to some extent.

#### Presence in highly competitive and fragmented industry

BLAIL operates in a highly fragmented and competitive market marked by the presence of numerous players in India as well overseas. Low entry barriers and low investment requirement makes the industry highly lucrative and competitive. The edible oil industry is highly competitive with presence of large national players and multiple regional players. Smaller companies in general are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability compared to larger companies having better efficiencies and pricing power considering its scale of operations. CARE Ratings expects the company to maintain its healthy scale of operations in the medium term driven by strong brand value.

#### Liquidity: Adequate

The company's liquidity profile is adequate, with expected cash accruals of ~₹122 crore, compared to debt repayment obligations of ₹62.31 crore for FY26. Average working capital utilisation for 12 months ending January 2025 was ~70%. As of March 31, 2024, the current ratio and quick ratio were 1.04x and 0.79x, respectively. The company plans to incur ~₹16-17 crore for routine maintenance capital expenditures, which will be funded entirely through internal accruals. The company's operating cycle improved to 54 days as on March 31, 2024, compared to 56 days as on March 31, 2023. The company also has investments in mutual funds amounting to ₹15.25 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](#)

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[Short Term Instruments](#)

#### About the company and industry

##### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Edible oil

Established in 1993 in Bareilly, Uttar Pradesh, BLAIL specialises in processing and packaging mustard oil, with 80% of its sales under the brand name 'Bail Kolhu'. In recent years, the company has expanded its product line to include atta, besan, maida, suji, dry fruits, rice, pulses, and pickles. These food products are marketed under the brand name 'Nourish', which is primarily available in North India. Operations are overseen by Ghanshyam Khandelwal, Ashish Khandelwal, and Richa Khandelwal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	3,453.02	3,249.80	2156.27
PBILDT	158.90	217.10	142.91
PAT	90.57	79.49	NA
Overall gearing (times)	1.65	1.43	0.93
Interest coverage (times)	2.43	2.60	2.86

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Brickwork has placed the rating assigned to bank facilities of B.L. Agro Industries Limited into Issuer Not Cooperating category vide its press release dated July 08, 2024, considering inability to carry out a review in the absence of requisite information.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	May 2031	149.50	CARE A-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	322.50	CARE A-; Stable / CARE A2+
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	28.00	CARE A-; Stable / 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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	322.50	CARE A-; Stable / CARE A2+	-	-	-	-
2	Fund-based - LT-Term Loan	LT	149.50	CARE A-; Stable	-	-	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	28.00	CARE A-; Stable / CARE A2+	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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-Term Loan	Simple
2	LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

#### Annexure-5: Lender details

To view 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](mailto:care@careedge.in) for clarifications.

### Contact us

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### About us:

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