

## Bhardwaj Overseas Private Limited

April 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	32.85	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	12.15	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Bhardwaj Overseas Private Limited (BOPL) are constrained by company's thin profitability margins along with moderate scale of operations though growing, moderate capital structure and working capital intensive nature of operations. The rating also factors in risk associated with susceptibility of margins to fluctuation in raw materials prices, competitive and fragmented nature of rice industry coupled with high level of government regulation.

However, the rating derives strength from the extensive experience of promoters in the industry and locational advantage.

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

#### Positive factors

- Substantial and sustainable growth in the income above Rs.250 crore with PBILDT margins improving to ~5%
- Overall gearing ratio improving to below 0.80x

#### Negative factors

- Significant decline in income below Rs.100 crore
- Any further & significant deterioration with PBILDT margin deteriorating to below 2%.
- Deterioration in overall gearing ratio more than 1.80x

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that BOPL will continue to benefit from the extensive experience of the promoters and established relations with customers and suppliers.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Thin profitability along with moderate scale of operations

Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 15.34% in last 5 years ended FY24. TOI grew by 24% to Rs.172.57 crore in FY24 over FY23 on account of improved demand from customers as indicated by a y-o-y volume growth of 16.79%, and improvement in sales realisation. However, in FY25 there is slight moderation in the TOI as company achieved TOI of ~Rs.165 crore (unaudited).

Company has modest network base, which stood at Rs.22.49 crore as on March 31, 2024. Scale of operations remained moderate, which limits the entity's ability to scale up the business significantly. Further, competition in the industry will continue to restrict future growth prospects.

BOPL's operating profitability exhibited a stable trend with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin within the range of 3-4% in the past three years ended FY24. It stood modest at 3.98% during FY24, with a y-o-y improvement of 36 bps on account of moderation in overheads though sales realization remained muted owing to a competitive landscape. Profit after Tax (PAT) margin stood 0.45% (PY: 0.36%) on account of high interest and depreciation costs. During FY25, the company has achieved PBILDT of 3.15%.

<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.

### **Moderate capital structure and debt coverage indicators**

The entity's capital structure stood moderate, as marked by an overall gearing of 1.38x as on March, 31, 2024 (1.16x as on March, 31, 2023) with high reliance on external debt. Its debt profile largely comprises of working capital debt. The total outside liabilities to net worth stood high at 2.82x as on March, 31, 2024 (2.99x as on March, 31, 2023). Though there is infusion of unsecured loans treated as quasi equity during FY24, working capital borrowings has also increased due to higher purchase of paddy during FY24 which led to continuation of moderate capital structure.

Debt coverage indicators stood marginally weak, as marked by moderate PBILDT interest coverage of 1.37x in FY24 (1.41x in FY23) and very high total debt to GCA (TD/GCA) of 16.67x in FY24 (PY:14.63x). It remained stable during the year which was on account of improvement in profitability but simultaneously increase in debt levels also.

### **Working capital intensive nature of business**

Working capital intensity is an inherent characteristic of the rice mills as reflected by low net investment in property, plant & equipment of Rs. 17.46 crores as compared to total capital employed of Rs.54.37 crores as at March 31, 2024. Majority of its capital funds are invested in working capital requirements due to seasonal nature of business. The company procurement season is from September to March of the financial year, leading to peak debt outstanding at the end of March.

### **Susceptibility of margins to fluctuation in raw materials prices:**

Agro-based industry is characterized by its seasonality owing to its dependence on the availability of raw materials, which further varies with different harvesting periods. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. The timing of monsoons has a huge bearing on crop availability which determines the prevailing paddy prices. The profitability margins are therefore susceptible to the risk of any adverse price movement in the raw material prices which have remained fluctuating in the past.

### **Competitive & fragmented nature of industry coupled with high level of government regulation:**

The commodity nature of the product makes the rice processing industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

### **Key strengths**

#### **Experienced promoters**

BOPL is promoted by Mr Sunil Bhardwaj and Mr Vinod Kumar (brothers). Bhardwaj overseas Private Limited is engaged in the rice processing of business since 2015. The decade-long experience of the promoters in the rice milling industry has helped them gain a sound understanding of market dynamics and establish healthy relationships with suppliers and customers. Furthermore, the promoters are assisted by a team of experienced professionals in managing the company's daily business operations.

Promoters of the company are highly resourceful and supported the business by infusing USLs as when required. In FY24, USLs stood at Rs.16.64 crore (PY: Rs.13.53 crore)

#### **Locational Advantage**

Being located in Karnal, BOPL enjoys a significant advantage due to the easy availability of raw materials. Karnal, known as the "Rice Bowl of Haryana," is a major rice-producing area, ensuring a steady and abundant supply of high-quality paddy. This proximity to raw materials reduces transportation costs, minimizes delays, and enhances the overall efficiency of the milling process. Additionally, the local expertise in rice cultivation and processing further supports the company's operations, contributing to its competitive edge in the market.

#### **Liquidity: Stretched**

The company has a stretched liquidity position, with a term loan repayment of Rs. 1.88 crore due in FY26, compared to an anticipated cash accrual of around Rs. 2.50 crore for FY26. Bank limit utilization averaged more than 90% over the 6 months ending March 31, 2025. However, the company's liquidity is supported by unsecured loans of approximately Rs. 16.64 crore as of March 31, 2024. The promoters are committed to maintaining these loans within the business to support working capital needs. These USLs are required to maintained as per sanctioned terms & conditions.

#### **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

Bhardwaj Overseas Private Limited (BOPL), based in Karnal, Haryana, was incorporated in June 2015 by Vinod Kumar and Sunil Bhardwaj. The company is engaged in the activity of processing Basmati Rice (11-21 quality and 17-18 quality). BOPL operates a processing plant in Gangatheri, Haryana, with an installed capacity of 150 MT (per day). They market their products under the brand name Zarifaz.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	138.80	172.57	165.00
PBILDT	5.02	6.86	5.19
PAT	0.50	0.78	NA
Overall gearing (times)	1.16	1.38	NA
Interest coverage (times)	1.41	1.37	1.66

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

**Status of non-cooperation with previous CRA:** Brickwork has continued the ratings assigned to the bank facilities of Bhardwaj Overseas Private Limited as "Issuer Not Co-operating" vide its press release dated January 28, 2025 on account of its inability to carryout review in the absence of requisite information from the company

**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-Cash Credit	-	-	-	-	29.00	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	-	30-September-2027*	3.85	CARE BB-; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	-	12.15	CARE BB-; Stable / CARE A4

\* Maturity date might change as there are multiple term loans herein we have taken the longest tenor term loan last repayment.

**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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	3.85	CARE BB-; Stable				
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	12.15	CARE BB-; Stable / CARE A4				
3	Fund-based - LT-Cash Credit	LT	29.00	CARE BB-; Stable				

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	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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