

B.R. Oil Industries Private Limited

January 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.17 (Reduced from 46.00)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of B.R. Oil Industries Private Limited (BROPL) continues to factor in vast experience of BROPL promoters of more than two decades in the edible oil industry, its established track record of operations with a moderate scale, comfortable capital structure and debt coverage indicators and adequate liquidity. It also factors in proximity to raw material procurement region and stable demand outlook. The ratings however continue to remain constrained by its moderate networth base, thin profitability, susceptibility to volatile commodity prices, government regulations and forex fluctuations and its presence in a highly competitive and fragmented edible oil industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation with Total Operating Income (TOI) of over Rs.1000 crore on sustained basis.
- Improvement in profitability with PBILDT margin to over 3% on a sustained basis alongwith augmentation of networth base.
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Negative factors

- Decline in scale of operations with TOI falling below Rs.600 crore and PBILDT margin below 1% on sustained basis.
- Deterioration in overall gearing beyond unity owing to any major debt funded capex / increase in working capital requirement, also adversely impacting the liquidity

Analytical approach: Standalone

Key strengths

Moderate scale of operations

The scale of operations of BROPL remained moderate with a 6% growth in its TOI of Rs.907.93 cr. in FY22 as compared to Rs.856.60 cr. in FY21, supported by healthy demand of its product profile and increase in product prices. During FY22, major portion (66%) was from refined edible oil, while balance was from sale of de-oiled cake (DOC), largely of mustard. Volume of the DOC remained same as in FY21, it increased by 51% for refined oil in FY22 compared to previous year. Further, company registered sales of Rs.596.42 cr. in 8MFY23.

Comfortable capital structure and debt coverage indicators albeit moderate net worth base

BROPL had a comfortable overall gearing of 0.20x as on March 31, 2022 (0.10x in FY21), deteriorated marginally as compared to last year year as company is expanded its production capacity of DOC for which it availed a term loan of Rs.16 crore, alongwith availment of incremental cash credit limits.

Debt coverage indicators of the company also remained comfortable with PBILDT interest coverage of 44.52 times (P.Y.: 121.27 times) and total debt/ GCA of 0.87 times (P.Y.: 0.38 times) in FY22. Net worth base of the entity however remained limited at around Rs.75.63 crore at FY22 end (P.Y.Rs.59.12 cr.) owing to low profitability inherent in its business.

Experienced promoters in edible oil industry alongwith established track record of operations

Being present in the edible oil industry for around two decades with experience in trading of edible oil through other family owned entities, the promoters have developed considerable understanding of demand supply position of the products in the market. Mr. Suresh Chandra Agarwal, key promoter has more than two decades of experience in the industry and is at helm of affairs of the company. Further, he is supported by his sons Mr. Sanjeev Kumar Agarwal and Mr. Jugal Kishore Agarwal, who together look after the sale and purchase functions of the company. Both the directors have more than a decade's experience in the edible oil

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

industry and are assisted by a team of qualified managerial personnel and technical team having relevant experience in their respective fields. Furthermore, entity has an established operational track record of over a decade in this business.

Strategic location of manufacturing unit with proximity to raw material sources

BROPL's manufacturing facility is located in Madhya Pradesh which ranks first in terms of production of soya seeds with large number of units involved in extraction process and also is in proximity to mustard/rapeseed growing regions. This makes it easier for the company to access its primary raw materials at effective price as well as results in benefit derived from lower logistic expenditure (both on transportation and storage). BROPL has developed good business relations with the suppliers (various local traders, agents and extractors) from whom it procures its requirement of crude oil and mustard cakes.

Stable demand outlook albeit intense competition in the industry

Edible oil industry is expected to grow annually by 7-8%, with rising demand owing to increase in population, disposable incomes and growth of food processing sector. The consumption of edible oil in India has been rising steadily which can be attributed to factors such as better standard of living growth in demand for fried processed food products and branded packaged edible oil. India's annual per capita consumption is well below the world average; thus, signifying substantial growth potential for the edible oil industry. Furthermore, India is a major participant in the export market for DOC and is one of the largest exporters of DOC from Asia. Moreover, there is a rising demand for DOC from the domestic poultry and cattle feed industry to meet the requirement for animal protein products. However, the industry is highly fragmented and competitive with presence of many unorganised players apart from few large organised players, which limits the pricing power and profitability of the players.

Key weaknesses

Thin Profitability

Profitability of the company has remained thin during past three years (FY20-22) on account of limited value addition along with its presence in the highly fragmented and competitive industry with volatile raw material prices. During FY22, PBILDT margin of the company remained largely stable at 2.58% compared to 2.36% in FY21. It is expected to remain range-bound in the projected period.

Susceptibility to commodity prices as well as government regulation and forex fluctuations

BROPL uses crude soya edible oil as the key raw material for the refining process and uses mustard cakes for the extraction process. These products are agricultural commodities, hence their prices to a certain extent are affected by various factors like monsoon during the year, area under cultivation as well as minimum support prices (MSP) in domestic market, demand-supply gap and weather conditions in major crop growing nations. Commodity prices (both raw materials and end products) are also influenced by internal demand-supply scenario. Furthermore, soya oil is also exposed to changes in duty structure by government on both crude and refined soya oil wherein duty differential is maintained to discourage cheap imports of refined soya oil. Furthermore, company also remains exposed to forex risk as large part of oil requirement (over 50%) is imported in India while sales are largely in domestic currency. Company does not however directly import and relies on high seas purchases.

Liquidity: Adequate

Company's liquidity remains adequate marked by sufficiency of cash accruals vis-à-vis repayments and moderate working capital utilisation.

Reliance on bank borrowings continued to remain low due to efficient working capital management owing to lean working capital cycle of around 10-13 days as BROPL majorly does purchase and sale as per demand, with minimal inventory on hand. BROPL's average utilization of its fund-based cash credit limit stood low at around 30-40% for past 12 months ended December 2022, though maximum utilisation remains high occasionally. Company has repayments below Rs.2.50 crore in FY23-FY25, expected to be met out of its cash accruals. Further, cash flow from operations stood at Rs.18.13 crore in FY22 as compared to negative Rs.24.31 cr. in FY21. BROPL has free cash and bank balance of Rs.0.16 crore in FY22.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company

Morena (Madhya Pradesh) based B.R. Oil Industries Private Limited (BROPL) was incorporated in 2009 by Mr. Suresh Chandra Agarwal and Mr. Sanjeev Kumar Agarwal for the extraction of crude oil and De-oiled cake (DOC) derived through processing of mustard oil cake as well as refining of crude edible soya oil, rapeseed oil along with mustard crude oil. BROPL started its commercial production in 2013 and operates out of its sole manufacturing unit located at Morena (Madhya Pradesh) having DOC extraction capacity of 1000 Metric ton (MT) per day as of December 31, 2022. In addition to its extracted/processed products, the company also trades in different types of crude edible oil, DOC along with agro-commodities like rice, based on available opportunities. The company sells edible refined oil as well as DOC in the domestic market to different export houses and traders. The company sells edible oil in bulk in the domestic market.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	8MFY23 (Prov.)
Total operating income	856.60	907.93	596.42
PBILDT	20.23	23.39	NA
PAT	14.21	16.50	NA
Overall gearing (times)	0.10	0.20	NA
Interest coverage (times)	121.47	44.52	NA

A: Audited, Prov: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: India Ratings has migrated the ratings of BROPL to Issuer Non-Cooperating category vide press release dated June 01, 2018 on account of its inability to carry out a review in the absence of the requisite information from the company.

Any other information: Not Applicable

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

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

Complexity level of the various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB-; Stable
Term Loan-Long Term		-	-	November 2028	15.17	CARE BBB-; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (30-Apr-21)	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (05-Feb-20)
2	Term Loan-Long Term	LT	15.17	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	-	-

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

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

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