

Bundelkhand Agro Logistics

April 27, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	6.00	CARE B; Stable (Single B; Outlook: Stable)	Assigned
Total Facilities	6.00 (Rupees Six crores only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating drivers

The rating assigned to the bank facilities of Bundelkhand Agro Logistics is constrained by Small scale of operations and weak overall solvency position. The rating is further constrained by presence in a highly fragmented and competitive industry. The rating, however, derives strength from experienced partners and comfortable profitability margins.

Rating Sensitivities

Positive Factors

- Increase in scale of operations with total operating income of more than Rs.5.00 crore on a sustainable basis
- Improvement in capital structure marked by overall gearing ratio below 1.00x

Negative Factor:

- Decline in scale of operations by more than 20% on sustained basis
- Discontinuation of lease agreement with Food Corporation of India
- Deterioration in debt coverage indicators as marked by interest coverage and TDGCA ratios below 1.00x and above 20.00x, respectively

Key Rating Weaknesses

Small scale of operations

The firm's scale of operations has remained small marked by Total Operating Income (TOI) of Rs.1.47 crore in FY19. The small size restricts the financial flexibility of the firm in times of stress and deprives it from benefits of economies of scale.

Furthermore, the firm has reported total operating income of Rs.1.34 crore in 11MFY20 (Prov.).

Weak overall solvency position

The capital structure of the firm stood weak with overall gearing ratio of 2.42x as on March 31, 2019. The same has improved from 3.69x in FY18 on account of repayment of term loans.

Furthermore, the debt coverage indicators of the firm stood weak marked by interest coverage ratio of 1.92x in FY19 (PY: 1.57x) and total debt to GCA ratio of 10.66x for FY19 (PY: 17.39x). The same has improved on account of lower interest expenses incurred and higher cash accruals generated.

Presence in a highly fragmented and competitive industry

BAL operates in a highly competitive market environment wherein entry barriers are low, thus allowing a large number of small and unorganized players to compete in the market. However, with times changing, many of them have graduated to the medium size category, thereby expanding the organized players' base thereby facing competition.

Key Rating Strengths:

Experienced partners

Bundelkhand Agro Logistics (BAL) was established in June, 2014 as a partnership concern. However, the commercial operations started in January, 2017 and is currently being managed by Mrs. Rita Jain, Mrs. Gayatri Maggo, Mrs. Sonal Sardana, Mrs. Ruchi Jain, Mrs. Priti Gupta and Mrs. Shruti Goel as its partners. The partners have industry experience of around 5-25 years gained through their association with BAL and engagement in similar kind of business business. The partners have adequate acumen about various aspects of business which is likely to benefit BAL in the long run.

Comfortable profitability margins

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

The profitability margins of the firm stood comfortable marked by PBILDT margin and PAT margin of 90.97% and 43.54%, respectively. The PBILDT margin of BAL declined marginally from 93.67% in FY18 mainly due to increase in insurance expenses and other expenses which mainly includes repair and maintenance (as a percentage of income). Furthermore, the PAT margin improved from 34.14% in FY18 mainly due to lower interest expenses incurred during the year.

Stretched liquidity Position

The firm had low level of free cash and bank balance of Rs.0.04 crore as on March 31, 2019. Furthermore, the firm has a total debt repayment obligation of Rs.0.90 cr. in FY20, proposed to be met through the internal accruals.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning Rating Outlook and Credit Watch](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for Service Sector Companies](#)

[CARE's policy on default recognition](#)

About the firm

Bundelkhand Agro Logistics (BAL) was established in June, 2014 as a partnership concern. However, the commercial operations started in January, 2017 and is currently being managed by Mrs. Rita Jain, Mrs. Gayatri Maggo, Mrs. Sonal Sardana, Mrs. Ruchi Jain, Mrs. Priti Gupta and Mrs. Shruti Goel as its partners. The firm is engaged in the providing leasing services of warehouse at its facility with an area of 3,92,911 square feet located in Lalitpur, Uttar Pradesh. BAL provides the warehouses on lease to Food Corporation of India through U.P. State Warehousing Corporation. The total operating income of the firm majorly includes monthly rent received from its Food Corporation of India.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	1.29	1.47
PBILDT	1.21	1.33
PAT	0.44	0.64
Overall gearing (times)	3.69	2.42
Interest coverage (times)	1.57	1.92

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July, 2026	6.00	CARE B; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	6.00	CARE B; Stable	-	-	-	-

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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