



Rating Rationale

Bindu Agro Industries

16 Aug 2018

Brickwork Ratings assigns 'BWR BB-' for the Bank Loan Facilities of Rs.5.58 Crs of Bindu Agro Industries ('BAI' or 'the Firm')

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating^
Fund Based			
CC	4.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Status: Assigned
TL	1.08		
Total	5.58 (INR Five Crore and Fifty Eight Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial information as on 28.02.2018, projected financials for FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the promoter's experience in the trading business, well diversified supplier and buyer base, positive industry outlook and good financial support in the form of unsecured loans of Rs.5 crs in the business. The rating, however, is constrained by overall weak financial risk profile of the firm, agro based industry with prices of inputs depending on agro climatic factors and highly unorganized nature of the industry.

Going forward, the ability of the firm to improve its Net worth and overall financial risk profile, grow its scale of operations and retain unsecured loans into the business would be the key rating sensitivities.

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Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- **Experienced Promoters**

Promoter of the firm, Mr. Awadhesh Jaiswal has almost 15 years experience in the business of trading of cereals, rice bran, cattle feed and allied items. He has gained sufficient exposure in processing of Maize (corn) into finished products and trading of outputs.

- **Well diversified business and positive Industry Outlook**

Firm sources its Raw material input from Bihar (60% supplies-35 suppliers), Nagpur (20% supplies) and rest from MP and Chhattisgarh. Firm sells its products to buyers located in UP and Bihar (60% sales-70-80 buyers), Nepal (15% sales) and West Bengal and other states (25% sales). Industry growth outlook is also positive due to rising consumerism and per capita income and growing awareness among consumers towards healthy food and eating habits.

- **Good Financial support to Business**

Firm has gathered unsecured loans to the tune of Rs.5 crs and has deployed the same into business operations. The same are proposed to be retained into the business till the currency of the Bank loans and as per undertaking submitted to the Bank (copy provided to the rating agency), these funds cannot be withdrawn without prior permission of the Bank.

Credit Weaknesses

- **Overall Weak Financial Risk Profile**

TNW of the firm at 0.82 cr and Leverage and Current Ratio at 6.85 and 1.00 times as on 31.03.2017 respectively are considered quite weak. The corresponding numbers for FY18 (prov) at 1.28 cr and 7.32, 1.41 times show improvement, though there is marginal deterioration in leverage which will improve if analyzed TNW Rs.3.71 Crs is taken into account. Although, TNW and CR are projected to improve during FY 19, there is no appreciable improvement projected in the Leverage.

- **Agro based Industry dependent on vagaries of nature and climatic factors.**

Maize (Corn) is the key input into the business. Maize is a Kharif crop, production of which depends on monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in last few years, would drastically affect the availability and price of Maize and thereby affecting profitability of the business.

- **Highly unorganized industry**

Industry is characterized by unorganized nature with presence of the large number of small and medium players in the market, creating severe competition in the market and squeezing profitability margins.



Rating Outlook: Stable

BWR believes BAI’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case of improvement in overall financial risk profile, scale of operations and Net Worth base of the firm. The rating outlook may be revised to 'Negative' in case of further deterioration in financial risk profile and withdrawal of unsecured loans.

Background:

M/s Bindu Agro Industries, prop. firm of Mr. Awadhesh Jaiswal, located in Varanasi, UP, is engaged in the business of processing of Corn (Maize) into Sooji, Atta (Flour) and Grits. Firm started its manufacturing and trading business during FY 2016 and since then has progressed to achieve sales of approx. Rs.38 crs during FY 18. Promoter of the firm has almost 15 years of experience in trading of foodgrains in the state of UP and Bihar and has successfully established his businesses. Business is well diversified in terms of number of suppliers and buyers.

Financial Performance

During FY17, BAI reported net revenues of Rs. 35.67 Crs and PAT of Rs.0.26 Crs in FY17 as against net revenues of Rs.26.63 Crs and PAT of Rs.0.17 Crs in FY16. On a provisional basis, the Firm reported revenues of around Rs.32.40 Crs and PAT of Rs.0.36 crs for 11 months (ending as on 28.02.2018) of FY18

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Facility	Current Rating (August 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based CC TL	Long Term	4.50 1.08	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Status: Assigned	N/A	N/A	N/A
Total		5.58	INR Five crores and Fifty Eight Lakhs only			



Status of Non cooperation with other CRA : N.A

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Bindu Agro Industries

Annexure I

Details of Rated Bank Facilities

Bank	Facilities	Rated Amount (Rs Crs)
Allahabad Bank, Nadesar, Varanasi	<u>Fund Based</u> CC	4.50
	BG	1.08
	total	5.58



Annexure II Key Financial Indicators

Particulars		FY16	FY17
Net Revenues	(Rs. Cr)	26.63	35.67
EBITDA	(Rs. Cr)	1.03	1.09
PAT	(Rs. Cr)	0.17	0.26
Tangible Net Worth	(Rs. Cr)	0.71	0.82
Total Debt:TNW	(Times)	6.60	6.85
Current Ratio	(Times)	0.88	1.00

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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