June 28, 2024

Bhumi Cottex Industry Private Limited: Ratings reaffirmed and removed from Issuer Not-Cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Cash credit	17.00	17.00	[ICRA]B+ (Stable); reaffirmed and removed from Issuer Not Cooperating category
Long-term fund-based – Term loans	4.00	4.00	[ICRA]B+ (Stable); reaffirmed and removed from Issuer Not Cooperating category
Short-term non-fund-based – Interchangeable limit	(2.00)	(2.00)	[ICRA]A4; reaffirmed and removed from Issuer Not Cooperating category
Long-term/Short-term – Unallocated limits	7.00	7.00	[ICRA]B+ (Stable)/ [ICRA]A4; reaffirmed and removed from Issuer Not Cooperating category
Total	**28.00**	**28.00**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has reaffirmed the ratings of Bhumi Cottex Industry Private Limited (BCIPL) and removed them from the Issuer Not-Cooperating category based on adequate information received from the client for carrying out a detailed credit assessment.

The ratings continue to favourably factor in the promoters' long experience and their established track record in the cotton and oilseed industry. The company has easy access to cottonseeds, being in proximity to the cotton producing belt of Maharashtra. The financial performance remained moderate in the last two fiscals, reflected in weak operating margins of ~2-2.5% in FY2023 and FY2024 compared with more than 4% in the previous years.

The absolute operating profits also moderated to ~Rs. 4-4.5 crore with a range-bound revenue of Rs. 185-200 crore in FY2023 and FY2024. The interest coverage ratio remained adverse at ~ 1.5-1.6 times because of higher interest outgo. The leverage ratio (adjusted total debt to operating profits) also remained elevated at ~6.5-7 times during FY2023 and FY2024. In FY2025, the operating income is expected to improve, supported by better realisations and strengthening of product portfolio. Also, the installation of rooftop solar power will enable savings in the production cost and support the operating margins.

The ratings continue to remain constrained by the muted profitability, in line with the low value-added nature of operations. The business is further exposed to the inherent risks associated with the oilseed industry, including its fragmented nature, lack of pricing power, threat from cheaper import substitutes and intense competition in the edible oil industry.

Key rating drivers and their description

Credit strengths

Long experience of promoters in the oilseed processing industry – The promoters have experience of over a decade in the oilseed processing industry, which has lent the company an established track record. The promoters also have experience in the cotton ginning industry through a group company - Bhumi Cotton Private Limited - although it is non-operational at present.

Favourable location of plant – The company's manufacturing unit is in Maharashtra, which is a key cotton-growing state in India. Hence, the company benefits from lower transportation costs and easy access to quality raw material (cotton seeds).

Credit challenges

Financial risk profile characterised by leveraged capital structure and adverse coverage indicators – BCIPL's operating profits remain low, given the low value-added nature of its products. The OPM stood at ~2-2.5% in FY2023 and FY2024. The capital structure has remained leveraged over the years to support the working capital requirements. The coverage indicators remain adverse, reflected in an interest coverage of ~1.5-1.6 times in FY2023 and FY2024. The leverage ratio (adjusted total debt to operating profits) was also high at ~6.5-7 times during FY2023 and FY2024. In the current fiscal, although the top line and profitability are expected to improve, the higher debt levels are expected to keep the coverage metrics stretched.

Intense competition and fragmented nature of the industry – The oilseed processing industry is characterised by intense competition due to the presence of small and unorganised players. The intense competition limits the company's pricing power and exerts pressure on its margins.

Exposure to agro-climatic conditions and regulatory changes – BCIPL, being in the agro-commodity business, remains exposed to the domestic and global crop position as the prices and availability are subject to seasonality and crop harvest. Regulatory changes like import duty structure and minimum support price amendments have a bearing on the profitability of solvent extraction units. The company's profits are also exposed to the fluctuations in the prices of oil seeds and oil imports, which in turn depend on the global demand-supply situation and export policies.

Liquidity position: Stretched

BCIPL's liquidity is likely to remain stretched. The cash flow from operations remained low. While an improvement is expected in FY2025, the repayment obligations remain high at ~Rs. 1.5-1.6 crore. The company has recently enhanced the limits, which will support the working capital requirements to an extent.

Rating sensitivities

Positive factors – ICRA may upgrade BCIPL's ratings if any substantial increase in earnings leads to an improvement in its liquidity and debt coverage matrices.

Negative factors – ICRA may downgrade BCIPL's ratings if any substantial decrease in earnings or an elongation in the working capital cycle worsens its liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Edible Oil Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of BCIPL.

About the company

Bhumi Cottex Industry Private Limited (BCIPL), established in 2012 by the Runwal and Bhakkad families, manufactures cotton seed oil, DOC (de-oiled cake), lint and hulls. The company has a manufacturing facility with a capacity of 300 TPD at Jalna, Maharashtra. At present, the plant operates at a maximum capacity of three shifts per day for ~300 days in a year.

Key financial indicators

	FY2022 (Audited)	FY2023 (Audited)
Operating income (Rs. crore)	260.0	186.4
PAT (Rs. crore)	1.8	0.5
OPBDIT/OI	2.6%	2.2%
PAT/OI	0.7%	0.3%
Total outside liabilities/Tangible net worth (times)	5.0	3.9
Adjusted total outside liabilities/Tangible net worth (times)*	2.4	1.9
Total debt/OPBDIT (times)	6.6	9.3
Adjusted total debt/OPBDIT (times)*	5.0	7.0
Interest coverage (times)	2.5	1.5

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *the ratios have been calculated considering the adjusted debt*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					June 28, 2024	July 10, 2023	Mar 17, 2023	Mar 17, 2022
1	Term loans	Long Term	4.00	0.8	[ICRA]B+ (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
2	Cash credit	Long Term	17.00	--	[ICRA]B+ (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
3	Bank guarantee	Short Term	-	--	-	-	-	[ICRA]A4 ISSUER NOT COOPERATING
4	Interchangeable limit	Short Term	(2.00)	--	[ICRA]A4	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4	--
5	Unallocated limits	Long Term/Short Term	7.00	--	[ICRA]B+ (Stable)/ [ICRA]A4	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]B+ (Stable)/ [ICRA]A4	[ICRA]B+ (Stable)/ [ICRA]A4 ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Cash credit	Simple
Interchangeable limit	Very Simple
Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
--	**Term loan I**	October 2019	-	October 2024	0.48	[ICRA]B+ (Stable)
--	**Term loan II**	September 2020	-	September 2024	3.52	[ICRA]B+ (Stable)
--	**Cash credit**	-	-	-	17.00	[[ICRA]B+ (Stable)
--	**Interchangeable limit**	-	-	-	(2.00)	[ICRA]A4
--	**Unallocated limits**	-	-	-	7.00	[ICRA]B+ (Stable)/ [ICRA]A4

Source: *BCIPL*

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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