June 21, 2017

Bikaji Foods International Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Cash credit	59.00 (enhanced from 40.00)	[ICRA]A/ Stable: reaffirmed
Term loans	76.51 (enhanced from 60.00)	[ICRA]A/ Stable: reaffirmed
Unallocated amount	0.49 (earlier nil)	[ICRA]A/ Stable: reaffirmed
Non-fund based facilities	14.00	[ICRA]A1; assigned

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]A (pronounced as ICRA A) for the Rs. 59.00-crore[1] (enhanced from Rs. 40.00-crore) cash credit, Rs. 76.51-crore (enhanced from Rs. 60.00-crore) term loans and Rs. 0.49-crore (earlier nil) unallocated amount of Bikaji Foods International Limited (BFIL)[2]. ICRA has also assigned a short-term rating of [ICRA]A1 (pronounced ICRA A one) to the Rs. 14.00-crore non-fund based facilities of BFIL. The outlook on the long-term rating is stable.

Rationale

The rating reaffirmation factors in the company's established Bikaji brand and its proven track record as a manufacturer of packaged food products in the country. This helped BFIL achieve steady profitability and growth in operating income. A strong liquidity profile (given the significant cash and bank balance) and low gearing impart considerable financial flexibility to the company. Moreover, equity infusion and steady cash accruals have prevented the debt levels from increasing substantially despite substantial capital expenditure in the last four years. The ratings continue to derive comfort from low client concentration risks, extensive experience of promoters as well as the company's strong and established distribution network.

However, increased competition as the company aims to enter and establish its presence in newer markets to scale up production in the new facility raises concerns. BFIL operates in a fragmented and unorganised food industry, wherein it faces competition from local manufacturers as well as organised players. This can impact profitability and working capital cycle as it tries to gain market share. ICRA notes that the company's strong liquidity profile, well-recognised Bikaji brand and stable demand for products will partly mitigate the risk. Going forward, the company's ability to achieve revenue growth and preserve its margins and capital structure will be key drivers for ratings.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths
- Experienced promoter group and established track record of operations
- Stable business with a compounded annual growth rate of 20% for revenues in the last five years; steady profitability margins
- Reputed brand name of Bikaji
- Strong distribution network with over 400 distributors as well as carry and forwarding (C&F) agents
- Equity infusion (during FY2015) and steady cash accruals from business have resulted in comfortable gearing and coverage indicators despite substantial capital expenditure in the past four years
- Quality remains an important rating sensitivity for the food business; BFIL is comfortably placed in this respect as is evident from its long track record of sustained growth in revenues and profitability

Credit weaknesses
- Exposure to intense competition as the company aims to enter new states
- Moderate exposure to increase in raw material prices given the company's ability to partially pass on the cost increases to its customers, with a lag
- Fragmented nature of the foods industry with a number of unorganised players; strong control over the supply chain and a higher bargaining power of the company help mitigate the risk

Description of key rating drivers

BFIL has a strong presence in Rajasthan and few other states, including Bihar and Assam, as a manufacturer of Bhujia and Namkeen. Steady demand and adherence to high quality standards have helped the company achieve stable revenue growth and profits in the past. It has followed a conservative approach towards increasing its capacities in a phased manner. The ongoing capex of Rs. 280 crore commenced in FY2014 and will be completed in FY2018 (Rs. 48 crore pending), taking the company's total installed capacity to 277 tonnes per day (TPD). This has also resulted in a comfortable capital structure despite an increase in indebtedness aided by steady accruals and equity infusion in the past. The existing facility has a capacity of 135 TPD. The company is now focusing on increasing its presence in north Indian states like Punjab and Uttar Pradesh, which will help in ramping up production in the new facility.

To gain market share in the new states, the company will have to face competition from the incumbent players (both organised and unorganised) and it may incur higher advertising and selling expenses in the near to medium term. In addition, relaxed credit terms to distributors/dealers can have an adverse impact on the working capital cycle. A strong liquidity position and low current gearing, however, should help buffer the impact. The company's pricing power and low inventory period should also mitigate raw material price fluctuation risks. ICRA expects the capital structure to remain comfortable as the capital expenditure is nearing completion. Also, the conservative approach of the management towards external borrowing is a positive.

Analytical approach

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria
Corporate Credit Rating Methodology

About the company

BFIL (previously Shivdeep Industries Limited) was established in 1986 as a partnership concern and was converted into a limited company in October 1995. The company's manufacturing facilities are located in Bikaner, Rajasthan. It produces Bhujia, Papad, different type of Namkeens, Rasgulla, Gulabjamun, Sohan Papri etc. The erstwhile firm used to sell its products under the brand name Haldiram. From 1993, a new brand name, Bikaji, was developed for its products that gained a good market reputation in the Indian food market. The company is promoted by Mr. Shiv Ratan Agarwal, who has over three decades of experience in production and marketing of food items.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years

Table

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated Amount (Rs. Crore)	Month-year & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				June 2017	Jul 2016	Oct 2015	Feb 2015
1	Cash credit	Long Term	59.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Term loans	Long Term	76.51	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Unallocated	Long Term	0.49	[ICRA]A (Stable)	-	[ICRA]A (Stable)	[ICRA]A (Stable)
4	Non fund-based facilities	Short Term	14.00	[ICRA]A1	-	[ICRA]A1	[ICRA]A1

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of Issuance/ Sanction	Coupon rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Cash Credit	-	-	-	59.00	[ICRA]A (Stable)
Unallocated	-	-	-	0.49	[ICRA]A (Stable)
Term Loan	July 2016	-	June 2023	33.00	[ICRA]A (Stable)
Term Loan	Oct 2013	-	June 2021	4.52	[ICRA]A (Stable)
Term Loan	Aug 2015	-	July 2018	4.08	[ICRA]A (Stable)
Term Loan	Dec 2011	-	Dec 2018	2.52	[ICRA]A (Stable)
Term Loan	Feb 2017	-	Jan 2022	2.50	[ICRA]A (Stable)
Term Loan	May 2014	-	Apr 2022	1.79	[ICRA]A (Stable)
Term Loan	Dec 2016	-	Nov 2021	0.10	[ICRA]A (Stable)
Term Loan	FY2016	-	FY2020	28.00	[ICRA]A (Stable)
Non fund-based facilities	-	-	-	14.00	[ICRA]A1

Source: Bikaji Foods International Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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