

August 26, 2024

Bolas Agro Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based limits – Cash credit	173.00	173.00	[ICRA]A (Stable); reaffirmed
Short term- Fund based limits – Working capital demand loan	65.00	50.00	[ICRA]A2+; reaffirmed
Short term- Non-fund based limits	69.00	69.00	[ICRA]A2+; reaffirmed
Long term/Short term- Unallocated	-	15.00	[ICRA]A (Stable)/[ICRA]A2+; reaffirmed
Total	307.00	307.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of the business and financial profiles of Bolas Agro Private Limited (BAPL) and Bola Surendra Kamath & Sons (BSK), the partnership firm of the same promoters, based on the strong operational and financial linkages between the entities and their common management group. The rating reaffirmation considers ICRA's expectation that BAPL will continue to maintain a healthy credit profile driven by its revenues and earnings which will support its debt metrics. The company's revenues recorded a healthy growth of ~8% in FY2024, driven by increased palm oil volumes. Stable demand across product segments and increased realisations from the cashew division are expected to support 8-10% revenue growth in FY2025.

Despite the growth in revenues, the company's margins contracted by 190 basis points (bps) with the increased share of palm oil sales, which command low margins in the overall revenue mix. The company's margins also contracted owing to moderate realisations in key product segments and elevated sales as well as promotion expenses. However, improved realisations in the cashew division are expected to support recovery in margins in FY2025. While the company's debt metrics moderated in FY2024 owing to contracted margins, the expected margin recovery will support the company in maintaining comfortable metrics going forward, with TOL / TNW of less than 1.5 times and interest coverage of over 7 times during FY2025-FY2027.

The ratings also consider the long and established track record of the promoters in the cashew processing industry and its diversified nature of operations with presence across several agricultural commodities such as coffee, edible oil, almonds and other dry fruits. The business is supported by the company's established brand, Bolas, which has added value to its newly launched products. These new products are marketed under the brand name R U Nutz and Molsi's, catering especially to the retail segment through its franchise-based retail outlets, own stores and online sales achieved through various platforms. ICRA notes BAPL's diversified customer base across all segments and strong relationships with customers, which ensure regular orders and stable demand.

The ratings are, however, constrained by the low value-adding nature of the trading business and intense competition in the industry. ICRA also considers the seasonal nature of purchase and sales of key commodities like raw cashews, coffee and other dry fruits, resulting in an elongated working capital cycle for a few months and exposing the company to inventory risks. Moreover, the company's profitability is susceptible to volatility in commodity prices, wherein unfavourable price movements would impact the company's earnings, as witnessed in FY2024. The company's revenues and margins are also exposed to duty structure on key products like cashews and edible oil and fluctuations in foreign exchange (forex) rates. Nevertheless, ICRA notes that such risks are partially mitigated by BAPL's established market position, healthy presence in the retail market, long experience of promoters and risk mitigation policies on forex movements.

The Stable outlook assigned to the long-term rating reflects ICRA's expectations that BAPL will continue to benefit from its strong presence in the key product segments, which will support a steady growth in revenue and earnings.

Key rating drivers and their description

Credit strengths

Experienced promoters and a leading position with an established brand - The promoter family has a long and proven experience of more than six decades in the cashew processing industry, managing the business through its partnership firms. Moreover, the company has successfully diversified into trading coffee, palm oil, sunflower oil and other dry fruits, lending stability in revenues and reducing reliance on any specific product. The company markets its products, primarily dry fruits, to retailers in India under the brand name R U Nutz and Molsi's, whereas other products, such as edible oil, are sold under the brand name Palm Raja and Leader Gold.

Diversified product range - BAPL is establishing retail outlets under the brand name of Bolas. The company has expanded its product portfolio to include a range of products like flavoured cashew nuts, almonds, edible oil, dates, and almonds, among others, to cater to its customers.

Diversified customer and supplier bases - BAPL has a diversified set of customers and suppliers across its major business segments, with the top-10 customers in the cashew segment contributing ~11% to the overall revenues in FY2024. Established relationships with customers resulted in repeat orders and stable demand. BAPL sources raw materials like raw cashews from a large number of suppliers from different countries such as Singapore, UAE and other African countries. Similarly, the company procures edible oil from suppliers based in Southeast Asia (mainly Malaysia), whereas coffee is sourced locally from various suppliers.

Comfortable financial profile - The company's financial profile is expected to improve in FY2025, after a moderation witnessed in FY2024, owing to the expected recovery in earnings, leading to improved debt metrics with expected TOL/TNW of less than 1.5 times and interest coverage of over 7 times in FY2025. The company's debt profile comprises interest-free unsecured loans from promoters and working capital debt.

Credit challenges

Modest margins given the low value-additive nature of business and intense competition - The industry, in which the company operates, is quite fragmented due to low entry barriers. As the company is involved in the commodity business, it has limited pricing power. Domestic cashew processors encounter competition from entities in countries like Vietnam due to the availability of cheap labour and higher mechanisation. Moreover, the majority of the company's revenue is derived from the edible oil division, which comprises a significant portion of palm oil, a low-margin product. The dry fruits business is also a low-margin business.

Large and seasonal working capital requirement owing to nature of business - The seasonal nature of raw material procurement, especially in the cashew and coffee segments, leads to high working capital requirements during peak procurement season.

BAPL's vulnerability to fluctuations in commodity prices, regulatory risks and forex rates - BAPL remains vulnerable to volatility in commodity prices, adverse movements in forex rates and the duty structure. It is also exposed to the risk of inventory price decline, owing to the elongated holding period for certain commodities.

Liquidity position: Adequate

BAPL's liquidity position is adequate, with a cash balance of ~Rs. 10.2 crore as on June 30, 2024 and Rs. 154 crore undrawn limit, which would be sufficient to fund its incremental working capital requirements. The company does not have any long-term borrowings or repayment obligations, providing comfort to its liquidity profile.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant increase in BAPL’s revenues and profitability on a sustained basis while maintaining adequate liquidity and comfortable debt coverage metrics.

Negative factors – Pressure on BAPL’s ratings could arise if there is a sharp decline in its revenues or profitability, resulting in lower cash flows and weakening of debt coverage metrics on a sustained basis. Any significant stretch in the working capital cycle or any unanticipated large debt-funded capex/ investments, impacting the company’s liquidity position, could also be a trigger for ratings downgrade. A specific credit metric that could result in a downgrade is TOL/TNW remaining above 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Edible Oil
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of Bola Surendra Kamath & Sons and Bolas Agro Private Limited, based on the strong operational and financial linkages between the entities and their common management group.

About the company

BAPL was established in February 2020 by the Kamath family from Karnataka, who carried out the business earlier through a partnership firm, Bola Surendra Kamath & Sons, established in 2005 by Mr. B. Damodar Kamath. BAPL trades in agricultural commodities like cashews, coffee, almonds, pistas and other dry fruits, along with a large presence in the trading of palm oil, sunflower oil, mustard oil and other commonly used edible oils. BAPL continues to use the same cashew processing facility in the Udupi district of Karnataka under the partnership firm, which has a processing capacity of 200 metric tonnes (MT) per day.

Key financial indicators (audited)

BAPL Consolidated	FY2022	FY2023	FY2024*
Operating income	1,418.1	1,574.0	1,696.8
PAT	61.9	47.0	27.0
OPBDITA/OI	6.3%	4.8%	2.9%
PAT/OI	4.4%	3.0%	1.6%
Total outside liabilities/Tangible net worth (times)	1.2	1.1	1.2
Total debt/OPBDIT (times)	1.9	2.8	5.0
Interest coverage (times)	32.5	20.2	4.0

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount Rated (Rs Crore)	Aug 26, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	173.00	[ICRA]A (Stable)	27-Jul-23	[ICRA]A (Stable)	25-Jul-22	[ICRA]A (Stable)	5-Jul- 21	[ICRA]A- (Stable)
Fund Based	Short Term	0.00	-	-	-	25-Jul-22	[ICRA]A2+	5-Jul- 21	[ICRA]A2+
Fund Based-Working Capital Demand Loan	Short Term	50.00	[ICRA]A2+	27-Jul-23	[ICRA]A2+	-	-	-	-
Non-Fund Based-Others	Short Term	69.00	[ICRA]A2+	27-Jul-23	[ICRA]A2+	25-Jul-22	[ICRA]A2+	5-Jul- 21	[ICRA]A2+
Unallocated	Short Term	0.00	-	-	-	25-Jul-22	[ICRA]A2+	-	-
Unallocated	Long Term/Short term	15.00	[ICRA]A (Stable)/[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash Credit	Simple
Short-Term - Fund Based – Working Capital Demand Loan	Very Simple
Short Term- Non-Fund Based Limits	Very Simple
Long Term/Short Term-Unallocated	NA

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
NA	Long Term-Fund Based – Cash Credit	NA	NA	NA	173.00	[ICRA]A (Stable)
NA	Short Term-Fund Based – Working Capital Demand Loan	NA	NA	NA	50.00	[ICRA]A2+
NA	Short Term-Non-Fund Based Limits	NA	NA	NA	69.00	[ICRA]A2+
NA	Long Term/Short Term-Unallocated	NA	NA	NA	15.00	[ICRA]A (Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Consolidation Approach
Bola Surendra Kamath & Sons (Partnership Firm)	Full Consolidation
Bolas Agro Private Limited	Full Consolidation

Source: Company

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