

May 18, 2023

Shree Balbir Food Product 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 / CC	6.00	6.00	[ICRA]B (Stable); Reaffirmed
Long-term Fund-based Term Loan	1.09	1.09	[ICRA]B (Stable); Reaffirmed
Short-term Non-fund Based Limits	1.00	1.00	[ICRA]A4; Reaffirmed
Total	8.09	8.09	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation for Shree Balbir Food Product Private Limited (SBFPL) reflects its weak financial risk profile, characterised by thin profitability and modest scale of operations and net worth. While the company's dependence on external debt reduced to Rs. 1.34 crore in FY2023 consisting of largely working capital facilities, the capital structure continued to remain stretched on the back of a modest net worth. The ratings continue to remain constrained by the highly fragmented nature of the flour-milling industry, resulting in intense competition as well as SBFPL's exposure to agro-climatic risks. The company also remains exposed to regulatory risks, wherein government policies can impact the availability and prices of raw materials, affecting its revenues and profitability.

The ratings, however, favourably factor in the moderately diversified customer base of the company, including established players.

The Stable outlook on the long-term rating indicates ICRA's expectation that the credit profile of the company will remain supported by healthy demand outlook and interest-free unsecured loans from the Group companies.

Key rating drivers and their description

Credit strengths

Moderately diversified customer base – The customer base of the company is moderately diversified with the top-10 customers contributing 40-45% to the sales since the commencement of SBFPL's operations. Further, it caters to major players in the food industry such as Parle Biscuits Private Limited (PBPL) and Britannia Industries Limited (BIL). While the company has not entered into any long-term contract with its institutional customers, SBFPL's products have been approved for manufacturing a few of their products, leading to repeat orders since FY2020.

Credit challenges

Modest scale of operations and low operating profitability due to commoditised nature of final product – The scale of operations remains modest with revenues of Rs. 104.5 crore in FY2023. The company is involved in milling wheat into wheat and refined wheat flour, which is a low-margin business. The small scale of business further restricts the company's profitability.

Weak capital structure due to low net worth base; subdued financial profile – The company's debt as on March 31, 2023 stood at Rs. 8.99 crore, which comprised Rs. 7.65 crore of unsecured loans, largely from its holding company and other Group company and Rs. 1.34 crore of working capital facility following repayment of term loan in FY2023. While the company's

dependence on external debt reduced in FY2023, the capital structure continued to remain stretched on the back of a modest net worth. The financial profile is also subdued with total debt vis-à-vis the operating profit of 6.0 times as on March 31, 2022.

Intense competition owing to high fragmentation in the industry and low product differentiation; profitability exposed to agro-climatic risks and government policies – The flour-milling industry is very competitive with the presence of many organised and unorganised players. Stiff competition, coupled with the limited value-additive nature of the business, limits pricing flexibility and margins. Moreover, the flour-milling industry is susceptible to agro-climatic risks, which can affect the availability of wheat in adverse weather conditions. Being an essential commodity in India, any unfavourable change in the policies and fluctuations in supply due to adverse weather conditions, exposes the company to volatility in scale and profitability.

Liquidity position: Stretched

The liquidity position of the company is stretched, given the modest cash flows and low cash and bank balance of ~Rs. 0.19 crore as on March 31, 2022. Moreover, the limit utilisation during the last 12 months stood at 50%, with a modest buffer of Rs. 4.7 crore as on March 31, 2023. The company plans to incur maintenance capex of Rs. 0.5 crore each year in the near term. It has debt repayment obligation of Rs. 0.36 crore in FY2024, Rs. 0.22 crore in FY2025 and Rs.0.16 crore in FY2026. Going forward, the ability to increase its turnover, backed by an increase in capacity utilisation and an improvement in profitability along with an effective working capital management remain critical to increase its free cash flows and improve the liquidity profile of the company.

Rating sensitivities

Positive factors – An improvement in the net worth position along with a sustained growth in its operating income and profitability, thereby strengthening the coverage indicators and liquidity position, would remain key factors for ratings upgrade.

Negative factors – A sharp decline in its scale of operations or profitability and / or a deterioration in the liquidity profile would be the key triggers for ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

Shree Balbir Food Product Private Limited is promoted by Balbir Vikas Bhushan Group. The Group manufactures and trades in steel products such as thermo-mechanically-treated (TMT) bars, mild steel angles, channels and beams, among others. The Group ventured into manufacturing of food products with the establishment of Shree Balbir in 2015. It is a wholly-owned subsidiary of Balbir Structures Private Limited (BSPL). Its manufacturing facilities are located at Silvassa (Dadra and Nagar Haveli). The mill has an installed capacity of 200 MT per day (72,000 MTPA). The first full year of operations for the company was FY2019.

Key financial indicators (audited)

	FY2021	FY2022
Operating income	72.4	87.7
PAT	0.1	0.6
OPBDIT/OI	1.5%	2.3%
PAT/OI	0.1%	0.7%
Total outside liabilities/Tangible net worth (times)	259.3	22.9
Total debt/OPBDIT (times)	15.8	7.2
Interest coverage (times)	2.5	4.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				May 18, 2023	Jul 06, 22	Apr 08, 2021	Jan 22, 2021
1 Fund Based Cash Credit	Long Term	6.00	--	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B+ (Stable); ISSUER NOT COOPERATING
2 Fund Based Term Loans	Long Term	1.09	0.52	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B+ (Stable); ISSUER NOT COOPERATING
3 Non-Fund Based, Bank Guarantee	Short Term	1.00	--	[ICRA]A4	[ICRA]A4	[ICRA]A4	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Term Loans	Simple
Bank Guarantee	Very Simple

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	Cash Credit	NA	NA	NA	6.00	[ICRA]B (Stable)
NA	Term Loans	FY2021	NA	FY2025	1.09	[ICRA]B (Stable)
NA	Bank Guarantee	NA	NA	NA	1.00	[ICRA]A4

Source: Company

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

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