



Bafna Enterprises

Instruments	Amount (in Rs. crore)	Rating action
Long term fund based facilities	7.00 (earlier nil)	[ICRA]BBB+ (Stable) assigned
Short term fund based facilities	4.75 (revised from 11.75)	[ICRA]A2+ reaffirmed

ICRA has assigned [ICRA]BBB+ (pronounced ICRA triple B plus) rating for the Rs.7.00 crore long term fund based facilities of Bafna Enterprises (“BE”/ “the Firm”). The outlook on the long term rating is stable. ICRA has reaffirmed the [ICRA]A2+ (pronounced ICRA A two plus)^{*} rating to the Rs.4.75 crore[†] short term fund based facilities (revised from Rs.11.75 crore) of BE.

The ratings draw comfort from BE’s healthy capitalization and adequate profit margins and accruals – protected to an extent by BE’s effective commodity and forex hedging mechanisms. BE usually has low working capital intensity and consequently, low debt levels and comfortable working capital utilization. Although the surge in sales in Feb/Mar 2015 have resulted in high working capital intensity during these months and relatively high debt levels as on March 31, 2015, these have subsequently returned to normal levels as on date. Despite the high debt levels, BE had comfortable capitalization as on March 31, 2015; further, the firm’s debt profile did not have any term loans from banks as on the aforementioned date. The ratings also factor in BE’s reputation in the Indian black pepper industry with the promoters having over three decades of experience in the business, the firm’s healthy market share in black pepper exports from India and its established customer profile in overseas markets. Also, while the firm’s proximity to raw material supply areas reduces procurement lead time and mitigates concerns on raw material availability to an extent, the staggered purchase optimizes BE’s inventory holding period.

The ratings are, however, constrained by volatility in BE’s revenues over the last few years following increase in price competitiveness by Vietnam and consequent slowdown in pepper exports from India; BE’s revenues over the last three years have been much lower than that in 2011-12 and the trend is expected to continue in 2015-16 as well. Also, the firm has withdrawn a significant portion of its profits in the form of remuneration to partners over the last few years and continuation of this could moderate cash flows going forward. Further, BE has significant transactions with group entities engaged in similar lines of business. The rating also considers a) susceptibility of BE’s revenues to quality non-compliance issues, if any, b) its limited value addition/low product differentiation, c) potential threat from agro-climatic risks, and d) BE’s high geographic concentration and moderately high customer concentration.

Firm Profile

Commenced in 1977 as a proprietorship concern and converted into a partnership firm from April 1, 2011, Bafna Enterprises (BE / “the Firm”) is engaged in processing of various spices. While exports contribute to majority of BE’s sales, the firm also derives part of its sales from domestic players and group entities (engaged in similar line of business). BE operates from a single manufacturing facility in Cochin, and outsources some of its activities to group entities/local players. BE is currently run by Mr. Ratanlal J Bafna, Mr. Manish Bafna and Ms. Manju Bafna. BE entered into a joint venture in Vietnam in 2013, with an overseas player and Vietnamese locals – this venture exports black pepper globally.

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^{*} For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

[†]100 lakh=1 crore=10 million



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