

May 19, 2017

## Bisman Industries Limited

Instrument*	Amount	Rating Action
Fund-based Limit- Cash Credit	Rs. 8.00 crore	[ICRA]D downgraded
Non -Fund-based Limit- Bank Guarantee	Rs. 0.20 crore	[ICRA]D downgraded

\*Instrument Details are provided in Annexure-1

### Rating action

ICRA has revised downward the long-term rating assigned to the Rs. 8.0-crore<sup>1</sup> cash credit facility and Rs. 0.20-crore bank guarantee facility from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]D (pronounced ICRA D) of Bisman Industries Limited (BIL)<sup>2</sup>.

### Rationale

The downgrade in the ratings primarily considers BIL's delay in meeting its debt service obligations in a timely manner. The rating continues to take into account the significant deterioration in the financial risk profile of the Limtex group as a whole, primarily the flagship company Limtex India Limited (rated at [ICRA]D/D), which incurred significant cash losses during FY2015 primarily due to increase in tea procurement cost relative to its tea realization. The rating also factors in the low profitability of the company on account of the trading nature of the tea operations, and higher input costs for biscuits manufacturing which the company is unable to pass on the same owing to intense competition. The rating is further constrained by the aggressive capital structure of the company, however, a large part of the debt is in the form of interest free unsecured loans from promoters; and the highly working capital intensive nature of operations, which exerts pressure on the liquidity position of the company, as reflected by almost full utilization of the working capital limits every month. The ratings, however, also continue to factor in the experience of the promoters in the tea and biscuits industry and its established distribution network in Eastern India which supports the revenue growth.

### Key rating drivers

#### Credit strengths

- Experience of the promoters of over three decades in the tea industry and over a decade in the biscuit industry; a diversified group having 4 tea gardens and 7 bought leaf factories together with trading operations of tea and other agri-commodities
- Established distribution network in Eastern India supports the revenue growth
- Favourable demand outlook of the biscuit and tea industry over the short to medium term

#### Credit weaknesses

- Limited value addition, given the trading nature of tea business, results in low profitability
- Aggressive capital structure, however, treating the interest free unsecured loans as quasi equity reduces the gearing to a large extent
- Profitability is highly sensitive to raw material prices (flour, sugar etc.) movements
- High working capital requirement leading to stretched liquidity position of the company

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

**Description of key rating drivers:**

BIL was established in the year 1998 and is engaged in manufacturing of biscuits and trading of tea. The company's current directors have experience of over three decades in the tea industry and around 15 years in the biscuit industry. Over the past 15 years, BIL has set up a large distribution network and has established its presence in the rural areas of Eastern India. Both biscuits and tea are sold under the brand "Nargis". The rating action primarily takes into account the delays by BIL's in servicing its debt obligations in a timely manner. The company's financial profile remains weak with weak profitability, adverse capital structure and weak coverage indicators.

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

**Links to applicable criteria**

Corporate Credit Rating Methodology

<http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf>

**About the company:**

Bisman Industries Limited (BIL) was established in the year 1988 by Mr. Subhash Kumar Poddar in the name of Limtex Industries Ltd having its registered office at Kolkata. The company is engaged in manufacturing of biscuits and trading of tea in the domestic markets, primarily East India. BIL has a biscuit manufacturing unit in Asansol, West Bengal, with an installed production capacity of 1500 MTPA and has a warehousing unit in Kolkata for blending of tea. BIL sells both biscuits and tea under the brand "Nargis".

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for 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)	Current rating				
				May 2017	February 2016	November 2015	September 2014	
1	Cash Credit	Long Term	8.00	[ICRA]D	[ICRA]B+	[ICRA]B+	[ICRA]BB (Stable)	
2	Bank Guarantee	Long Term	0.20	[ICRA]D	[ICRA]B+	[ICRA]B+	[ICRA]BB (Stable)	

**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](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Fund based – Cash Credit	-	-	-	8.00	[ICRA]D
Non Fund based – Bank Guarantee	-	-	-	0.20	[ICRA]D

Source: Bisman Industries Limited



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About ICRA Limited:

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