

## Keya Foods International Private Limited

December 09, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2.01	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	10.00	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Reaffirmed
<b>Total Facilities</b>	<b>12.01</b> <b>(Rs. Twelve Crore and One Lakhs Only)</b>		

*Details of instruments/facilities in Annexure I below*

### Detailed rationale and key rating drivers

CARE has reaffirmed the ratings to the bank facilities of Keya Foods International Private Limited (KFIPL). The rating derives strength from experienced and resourceful promoters and their continued financial support; well established brand under the name of 'Keya' and a diversified client base. The promoters have continued their support through regular equity infusion as well as by extending Letter of Comfort to the KFIPL's lenders.

The rating strengths however are tempered by KFIPL's modest scale of operations and low-capacity utilization of manufacturing facilities and continuing cash losses. Despite improvement during FY21 whereby the company had posted profit at the PBILDT level, the performance has deteriorated in FY22 with the company posting cash losses. The ability of the company to improve the operational performance is the key monitorable. CARE notes that the promoters have infused Rs. 72 crores in the current financial year till November 2022 to partly repay the high-cost loan and to support the operations. The promoters are also planning to infuse more funds during FY23 to fund the future growth and operations.

### Rating sensitivities

#### Positive Factors

- Successfully increase the scale of operations and generate positive cash flows from the business.

#### Negative Factors

- Any delays in envisaged fund infusions by the promoters.

**Outlook:** Stable

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

## Detailed description of the key rating drivers

### Key rating strengths

#### **Experienced and resourceful promoter group**

KFIPL is owned by True North Trustee Company Pvt. Ltd. (TNTCPL) beneficial owner of which is True North Fund IV. Incorporated in 1999, True North Fund (TNF), formerly known as India Value Fund Advisors (IVFA) is one of the earliest home-grown private equity team in India with a 20+ year track record across six funds and several economic cycles. TNF is a part of the Global PE Alliance which comprises local PE firms across different geographies and offers global reach, broad sector expertise, and leadership in mid-market private equity. The combined asset base of the members in the Alliance is USD 13.0 billion coming from over 400 institutional investors. Over the last two decades, TNF has invested USD 3 billion across over 60+ businesses across different geographies and industry sectors with primary exposure to consumer led businesses, healthcare and financial services. True North has launched six independent investment funds, with a combined corpus of USD 3.0 billion. These funds have been raised from over 35 international institutions that have a combined investable capital base of over USD 1.0 trillion. Currently, True North is investing out of Fund VI, which has a corpus of USD 600 million raised in 2019. Some of its other investments are, Zydus Wellness, Sesa, Fincare small finance bank, Magma Fincorp, Home first Finance Company ACT, Integrace, Cloudnine Hospitals etc.

#### **Well established brand and diversified client base**

KFIPL operates as a premium brand for the products it manufactures which are herbs, spices and seasonings along with soups and sauces in the domestic market with presence in each of the states of India. Maximum sales are derived from the western India, followed by the northern and southern states.

The company distributes its products through Carrying and Forwarding Agents (C&FA) and distributors. It has C&FA in 6 locations connected via SAP and has more than 100 distributors. The company has a reach to more than ~17,000 General Trade (GT) marketing channels and around 1100 Modern trade (MT) marketing channels through its distributors. MT channels consist of supermarkets, hypermarkets and shopping malls and the GT channels consists small super markets and retail stores. KFIPL has also entered the E-commerce market (Amazon, Big Basket, Flipkart, Swiggy etc.) to expand their reach and widen their customer base.

### Key rating weaknesses

#### **Reliance on debt and adverse capital structure**

The net worth of the company turned negative to Rs. (60.72) during FY22 on account of accumulated losses over past years and it deteriorated further to Rs. (42.77) during FY21. The company has been recording losses at PBILDT level and is projected to record marginally positive or negative cash accruals from the business FY23 & onwards. In the past, TNTCPL had infused equity (Rs. 19 crore in FY18 and Rs. 1 crore in FY20) to support the operations of the company. In the past, the company has also been supported by inter-company loans and deposits from True North and VKL (25% stake upto April 29, 2019) group entities. However, the inter-company loans have been fully repaid as on March 31, 2020. The promoters have planned equity infusion in the form of CCPS in FY23 of Rs. 187 Crores of which 72 crores has been infused till November 30, 2022 which is expected to improve the company's capital structure.

#### **Modest scale of operations and moderate capacity utilization**

KFIPL has modest scale of operations and has different set of products for different consumers. It has Ready to Cook type of food products such as soups, additives such as PiriPiri Masala and seasonings. Most of the revenue is driven by sales of HSS (Herbs, Spices and Seasoning) segment with 'Keya Oregano' being the most sold item. The company recorded revenues of Rs. 64.84 crore in FY22. Further, the current capacity utilization levels are at lower levels around 54% for FY22, which were 48% for FY21. This is expected to improve significantly going forward as the company utilizes its now established distribution network for mass demand products such as chilli powder etc. In H1FY23, company has achieved sales of 43.60 crores which showed significant increase in revenues, this can be attributed to launching of new products (such as Ready to Cook Pasta, Ketchups & sauces, Lemon juice extract, Specialty spices, Blended Spices, Whole spices, etc.), as well as increased expenses on marketing and distribution, to reach wider customer segment. The company has more than 250 SKU's. Consequently, total operating income of KFIPL for H1FY23 is Gross Rs. 43.60 Crores. As of September 2022, the company has widened its production capacity for Sachets & Soups thereby increasing its total production capacity. Given the moderate capacity utilization levels and the adverse capital structure of the company, the stabilization of utilization levels of capacities remains a key rating sensitivity.

#### **Industry Prospects:**

Over the past few years, owing to rise in the number of Indian, Italian, Mexican and Chinese restaurants across the world, the demand for herbs and spices has significantly increased. According to a new study by Future Market Insights (FMI), the demand is expected to remain high especially as developed countries report increasing influx of people from other nations. Globalization has therefore resulted in increasing demand. The herbs and spices market has remained fragmented, exhibiting the presence of various small and mid-tier manufacturers. However, due to increasing collaboration activities between small & mid-tier manufacturers and top tier companies, the number of small and medium companies have decreased. The Indian seasonings, dressings & sauces sector is expected to grow to INR 270.3bn (US\$3.5bn) by 2024, recording a compound annual

growth rate (CAGR) of 7.7%. The category is closely followed by 'tomato pastes & purees', which is expected to record a CAGR of 12.3% during the next five years. The global seasoning and spices market is expected to grow at a compound annual growth rate of 6.3% from 2022 to 2027 to reach USD 22.46 billion by 2027. Key factors that are driving the seasoning and spices market growth include increasing buyers' willingness to pay a premium for new flavors and ethnic tastes and rising demand for ready-to-use spice mixes as convenient options in the food service industry.

#### Liquidity Analysis: Adequate (factoring in promoter support)

While the company is in growth stage and is incurring cash losses from the business the promoters have continued to support the operations with timely infusions. The promoters have planned equity infusion in the form of CCPS in FY23 of Rs. 187 Crores of which 72 crores has been infused till November 30, 2022. The average fund based working capital utilization for 12 months ended October 2022 was around 64%. As on March 31, 2022, the company had bank balances of Rs. 1.36 crores. Lenders of the company have been given Letter of Comfort by True North. Thus, factoring timely support from True North, the liquidity of the company remains adequate.

**Analytical approach:** Standalone factoring in support from the promoters.

#### Applicable criteria

[Policy on default recognition](#)

[Manufacturing Companies](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

#### About the company

Keya Foods International Pvt. Ltd. [(KFIPL), formerly known as Amalgam Speciality Foods (India) Pvt. Ltd.] was incorporated as a private limited company on August 10, 2007. It was acquired by VKL Group and True North Fund formerly known as India Value Fund Advisors (IVFA) in 2013 to build B2C business for VKL. Upto April 29, 2019, 25% stake in the company was held by VKL Seasonings Pvt. Ltd. and balance 75% by True North Trustee Company Pvt. Ltd. [(TNTCPL) owned by True North Fund IV]. As of March 31, 2020, KFIPL is wholly owned by True North, and it is engaged in manufacturing and trading of Herbs, Spices and Seasonings (HSS), sauces, snacks, Ready to Cook (RTC) soups, pickles, paste, and operates under 'Keya' brand. The company has manufacturing facilities for these products at Kuthiathode, Kerala. Sales to retail customers are primarily driven by both Modern Trade (MT) consisting Supermarkets/Hypermarkets and General Trade (GT) consisting small-scale retail stores, along with e-commerce platforms.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	66.84	64.84	40.29
PBILDT	-0.41	-9.45	-12.09
PAT	-8.15	-18.03	-16.45
Overall gearing (times)	-1.40	-1.24	NA
Interest coverage (times)	-0.05	-1.07	NA

A: Audited; P: Provisional

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	10.00	CARE BBB-; Stable / CARE A3
Fund-based-Long Term		-	-	-	1.97	CARE BBB-; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	0.04	CARE BBB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	1.97	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Feb-22)	<b>1)CARE BBB-; Stable</b> (23-Mar-21)	1)CARE BBB-; Stable (02-Jan-20)
2	Fund-based - LT/ ST-Cash Credit	LT/ST*	10.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (03-Feb-22)	1)CARE BBB-; Stable / CARE A3 (23-Mar-21)	1)CARE BBB-; Stable / CARE A3 (02-Jan-20)
3	Non-fund-based - LT-Bank Guarantee	LT	0.04	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Feb-22)	1)CARE BBB-; Stable (23-Mar-21)	1)CARE BBB-; Stable (02-Jan-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Name of the Instrument	Detailed Explanation
<b>A. Financial covenants</b>	
I. Total Outside Liabilities/Total Net Worth	TOL/TNW <= 3.0x
II. Minimum Net-worth	Minimum net worth of Rs. 7.9 cr. to be maintained at all times.

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Fund-based-Long Term	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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**About us:**

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