

## Weikfield Foods Private Limited

March 19, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	1.57 (Reduced from 7.45)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	10.00 (Enhanced from 8.00)	CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)	Reaffirmed
Short Term Bank Facilities	16.55	CARE A3+ (A Three Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>28.12</b> <b>(Rs. Twenty-Eight Crore and Twelve Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings reaffirmation to the bank loan facilities of Weikfield Foods Private Limited (WFPL) continue to draw strength from resourceful and experienced promoters in the field of food processing segment, diversified product profile, comfortable overall gearing and comfortable debt coverage metrics. The ratings also take note of the satisfactory financial performance in FY20 (refers to the period April 01 to March 31) albeit lower operating margin due to sizeable sales and promotion expenses which are expected to keep the operating margins under pressure. The ratings are, however, constrained by moderate scale of operations with limited geographical reach, susceptible to cyclicity associated with agro-based inputs, moderate capacity utilization and contingent liabilities constraining moderate net-worth.

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Significant growth in the scale of operations beyond Rs.300 crore on sustained basis along-with improvement in PBILDT margin beyond 8.00%.
- Sustained increase in capacity utilization at all the units of the company.

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Continued withdrawal of share capital or distribution of dividends leading to fall in net-worth levels
- Deterioration in capital structure leading to overall gearing of more than 1.50x
- Substantial decline in capacity utilization on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### **Resourceful and experienced promoters in the field of food processing segment**

Mr. B S Malhotra, the Chairman of WFPL, has more than six decades of experience in the food processing and real estate development industry. Mr. Ashwini Malhotra, Managing Director of WFPL, oversees the strategic functions of the food business of the Weikfield group, and is also a Director in the other Weikfield Group of Companies. He is a Trustee of the Malhotra Weikfield Foundation & Janaseva Foundation. He is also an active member of Confederation of Indian Industries (CII) having been a past Chairman of CII Pune & Maharashtra. Mr. Mukesh Malhotra, Director, oversees the strategic functions of the real estate business of the Weikfield group. He has been actively involved in the activities of Maharashtra Chamber of Commerce Industries and Agriculture (MCCIA) for over 25 years, having served as its President during 2008- 2010.

Other than Weikfield Foods Private Limited, the Weikfield Group has 16 LLPs which owns lands & properties in various places. The group is mainly engaged into food-processing related industry and has also forayed into real estate development. The group support is also depicted in the form of unsecured loans being provided from the Directors and relatives, amounting to Rs.14.99 crore as on March 31, 2020.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

***Diversified product portfolio***

The company has a huge product portfolio consisting of over 50 Products in the processed food segment including Custard powder, Baking Powder, Corn flour, Fresh mushrooms, Vegetarian Jelly, Sauces of different kinds, Natural tea, Dessert Mixes, Fruit Spreads, Pasta and Pasta Sauces etc. The company has been into manufacturing of custard powder and corn flour since 1956 which are their major revenue drivers and has an established brand name in the market. Furthermore, the newly commissioned pasta manufacturing line in Lonikand plant and upgradation of mushroom cultivation rooms into model rooms is aiding to the growth in scale of operations and increase in market share of the WFPL. The company expanded its product portfolio by launching soft wheat macaroni and pasta masala under 'Chef Basket' brand, two new herbal infusion products under 'Eco Valley' brand and added Cremini and Portobello mushrooms to its Fresh mushroom segment.

***Comfortable financial position in FY20 albeit lower profitability margins***

Total operating income (TOI) grew by 6.42% in FY20 to Rs.209.45 crore from Rs.196.82 cr in FY19 led by increase in production in Lonikand unit (Pune) on account of incremental sales of corn flour, custard powder and pasta products post commencement of operations of newly installed manufacturing line of pasta in Lonikand plant, Pune.

The PBILDT margin of the company reduced by around 448 bps from 9.20% in FY19 to 4.72% in FY20. The decline in the PBILDT margin was partly due to strategic decision of the management to promote the brands through marketing promotional activities and partly due to opting for Sabka Vishwas (Legacy Dispute Resolution) Scheme (SVLDRS) to pay and reduce the contingent liabilities regarding the Disputed Central Excise Duty pertaining to mushroom business at Lonikand unit along with impact on sales in last 15 days of March 2020 due to outbreak of COVID-19, March being a peak month for sales for top selling products like custard, falooda mix and baking powder. The same remain affected till the company resumed its production from the month of May 2020 after the Government of India's relaxation to production of essential commodities.

During 9MFY21 the company has achieved Rs.193.73 crore of turnover. The company is heavily investing in marketing and sales promotion, through TV advertisements and other activities to make the brand more visible and increase the offtake to achieve the growth in TOI. Also, the company is incurring expenses to expand its distribution networks and outlets, geographically. These expenses are expected to continue in midterm and the profitability margin is expected to remain moderate.

***Comfortable overall gearing and debt coverage metrics***

The company had comfortable overall gearing of 0.51x as on March 31, 2020 improving from 0.67x a year ago majorly on account of repayment of long-term debt and moderate accretion to reserves. The debt coverage indicators weakened, though remained comfortable during FY20 due to decline in PBILDT margin from 9.20% in FY19 to 4.73% in FY20 leading to reduction in PBILDT interest coverage from 4.17x in FY19 to 3.47x in FY20. Also, the total debt/ gross cash accruals increased from 1.80x in FY19 to 3.20x in FY20.

***Key Rating Weaknesses******Moderate Scale of Operations on account of moderate capacity utilization***

Total operating income (TOI) grew at a CAGR of 9.01% from Rs.148.33 crore in FY16 to Rs.209.45 crore in FY20 with 6.42% growth in FY20 year on year and capacity utilization has improved from 22.09% in FY19 to 41.54% in FY20 in the Lonikand unit (Pune). However, the scale of operations continues to remain moderate on account of moderate capacity utilization in the units of Pune i.e. Bakori and Lonikand. The capacity utilization remained around 59.46% in Nalagarh unit, 41.54% in Lonikand Unit and 29.03% in Bakori unit.

***Susceptible to cyclicality associated with agro-based inputs***

The company remains exposed to any sharp fluctuation in prices of raw materials such as semolina, maize starch, tea and sugar which largely depend on inflationary environment, monsoon, and government policies. Since, the company procures raw materials from the open market; it is exposed to price fluctuations as the supply of such agro commodities are exposed to the vagaries of nature along with hoarding problems and lack of storage infrastructure.

***Contingent liabilities constraining moderate net-worth***

As on March 31, 2020, the company's net-worth stood at Rs.47.69 crore, improving modestly from a year ago i.e. Rs.43.52 crore as on March 31, 2019. The moderate net-worth is further constrained by presence of contingent liabilities of Rs.12.76 crore as on March 31, 2020. The company had opted for Sabka Vishwas (Legacy Dispute Resolution) Scheme (SVLDR Scheme), during FY20 which led to resolution of disputes and reduction in contingent liabilities from Rs.13.35 crore as on March 31, 2019, yet the outstanding contingent liability against net-worth as on March 31, 2020 was moderately high at 26.75% of net worth.

***Liquidity: Adequate***

Adequate liquidity characterized by sufficient cushion in Gross Cash Accruals (GCA) of Rs.7.65 crore during FY20 against term loan repayment obligation of Rs.5.72 crore and the GCA is expected to remain at similar levels over the medium term. WFPL

had moderate unencumbered cash and bank balance of Rs.8.30 crore as on January 31, 2021. Furthermore, the company had liquid investments at a book value of Rs.11.55 crore as on December 31, 2020. The company's capex requirements are modular and are being partly internally funded and partly by unsecured loans. Hence, the company has enough headroom to raise additional debt if required. Furthermore, its bank limits are negligibly utilized in past 12 months ended January 2021, hence unutilized credit lines provide extra liquidity that can be used to take care of any incremental working capital requirements.

**Analytical approach:** *Standalone*

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### About the Company

WFPL belonging to Weikfield Group, based in Pune, Maharashtra commenced its operation on April 13, 1956. The group started the manufacturing of food products under the name of Weikfield Product (Co.) Ltd. (WPL), which was promoted by Late Shri S.P. Malhotra, Shri B.S. Malhotra and Shri H.K. Malhotra. WPL started with two products on its production line in 1956 viz. custard powder and corn flour. The company has undergone many developments year by year and introduced new products and thereby increasing their market. After over 60 years of existence, Weikfield today is one of the largest sellers of Custard Powder, Cornflour, Baking Powder, Vegetarian Jelly Crystals in India. Today WFPL manufactures and sells over 50 Products in the processing food segment in their three manufacturing units. Lonikand Unit - Nagar Road, Pune Maharashtra. Bakori Unit, Pune. Nalagarh Unit Nalagarh, Dist Himachal Pradesh.

WFPL has received HACCP, ISO: 22000-2005, One Cert Asia, Halal Certification and the most stringent accreditation certificate of food safety and IFS, Europe for its all 3 units.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	196.82	209.45
PBILDT	18.11	9.89
PAT	11.10	4.77
Overall gearing (times)	0.67	0.51
Interest coverage (times)	4.17	3.47

A: Audited

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

**Any other information:** Not applicable

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

**Covenants of rated instrument / facility:** 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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2021	1.57	CARE BBB; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	10.00	CARE BBB; Stable / CARE A3+
Fund-based - ST-Bank Overdraft	-	-	-	16.55	CARE A3+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	1.57	CARE BBB; Stable	1)CARE BBB; Stable (02-Apr-20)	-	1)CARE BBB; Stable (26-Dec-18)	-
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	10.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (02-Apr-20)	-	1)CARE BBB; Stable / CARE A3+ (26-Dec-18)	-
3.	Fund-based - ST-Bank Overdraft	ST	16.55	CARE A3+	1)CARE A3+ (02-Apr-20)	-	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - ST-Bank Overdraft	Simple
3.	Fund-based/Non-fund-based-LT/ST	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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