

Kejriwal Bee Care India Private Limited

February 23, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	78.00 (Enhanced from 67.44)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	2.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	80.00 (Rs. Eighty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Kejriwal Bee Care India Private Limited (KBCIPL) factors in its experienced promoters and long track record of operations, established brand name and strong market position in the honey export industry. The rating reaffirmation also factors in its reputed client base and established business relationships with customers and suppliers; albeit customer concentration risks, significant number of approvals and certifications in place. The above strengths are however partially offset by its moderate financial risk profile, susceptibility of margins to raw material price fluctuations, foreign exchange fluctuations and seasonal nature of operations.

KBCIPL has sought moratorium on few of its payments due to its lenders as part of the COVID-19 - Regulatory Package announced by the RBI on March 27, 2020. In the anticipation of the said approval following the regulatory package by RBI some of the interest payments on working capital facility were deferred by the company. The moratorium has been approved by the bankers of SSPL. CARE has not recognized this instance as a default, as the same is permitted by the RBI as part of the relief measures announced recently. Non-recognition of default in this case is as per the guidance provided by the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020.

Key rating sensitivities

Positive factors:

- Ability of company to scale up its operations by 20% or more going forward on a sustained basis.
- Ability of the company to enhance its PBILDT margins to 11% or more on a sustained basis.
- Ability of the company to reduce its overall gearing below 0.80x.

Negative factors:

- Reduction of PBILDT margin below 5.00% on a sustained basis.
- Any sizeable capex undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 1.5x.
- Any elongation in the collection and inventory period leading to working capital cycle of more than 260 days.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and long track record of operations

KBCIPL has 4 directors – Mr. Ashok Sinha, Mr. Kajal Kejriwal (wife of Mr. Parkash Kejriwal), Mr. Prakash Kejriwal (Managing Director) and Mr. Amit Dhanuka (CEO) who has an experience of ~2 decades in the industry through his association with KBCIPL. The day to day operations of the company are looked after by Mr. Amit Dhanuka. The promoters are ably supported by a team of professionals who are highly experienced in their respective domains. The promoters have a considerable track record in the industry leading to development of long term relationships with the clients as well as suppliers. To support the business operations of the company, funds have been infused by promoters in the past in the form of unsecured loans.

Established brand name and strong market position in the honey export industry

KBCIPL is one of the major honey exporting entities in India with an established brand name. The company operates two brands under itself viz; Nature's Nectar and Honey Chew. However, the company only derives a marginal amount of total operating income from 'Honey Chew' with income of ~Rs.0.07 cr. in FY20 (refers to period from April 01 to March 31) (PY: 0.07 cr.). Further, the existence of various certifications from domestic as well as international food and drug testing

agencies like USFDA, FSSAI, HALAL India, NSF International, etc. along with patent in the name of the company provides the company with an edge over the competition leading to high entry barriers. The same also provides a level of stability to the operations of the company against any new entrants in the industry. In December 2020, Centre for Science and Environment (CSE) conducted an investigation on various brands of Indian honey for the key NMR test (Nuclear Magnetic Resonance) and only three brands have passed the same and qualified for unadulterated honey with KBCIPL being amongst the brands who have passed the NMR test.

Reputed client base and established business relationships with customers and suppliers; albeit customer concentration risk

Presence of the promoters in the honey industry for more than two decades (since 1996) has led to development of long term business relationships with the suppliers and therefore easy procurement of raw material (raw honey). The company procures raw honey from bee farmers through its collection representatives and agents majorly in North India and West Bengal. On the customer side, the long presence of the company in the industry has enabled it to establish relationships with its clientele (long standing business relationships of around 15 years with some of the clients). Some of the clients associated with the company include Nestle India Limited, Kellogg India Private Limited, Patanjali Ayurved Limited and The Himalaya Drug Company which in turn leads to repeated orders. Majority of the sales of the company are from its export customers (~54.12% of total income in FY20) wherein the company supplies majorly to USA along with other geographies like European Union (EU), Africa and Middle East, etc. In the export market, the company majorly supplies honey to large traders and packers of honey like Lamex Foods, Inc., Lamex Agrifoods, Inc., Pure Sweet Honey Farms Inc., etc. Lamex Foods, Inc. and Lamex Agrifoods, Inc. are part of the UK based 'Lamex Foods Group' which is engaged in import/export of food, with products ranging from poultry, meat, and seafood, to fruits & vegetables, honey, juice & purees, and dairy. It has 21 offices in 14 countries including U.K., the US, Ireland, Russia, Switzerland, China, etc. KBCIPL has been associated with the group since ~15 years. This group alone accounted for ~34% of the total operating income of KBCIPL in FY19.

However, the established relationships of the company with its clientele have aided in regular procurement of orders therefore resulting in mitigation of the risk associated with a concentrated revenue stream to some extent. In FY20, the top-10 customers contributed ~61.77% of the total operating income of the company, respectively ~65.89 respectively, in FY19) while the company's top customer contributed ~20.75% of the total revenue in FY20 which exposes the revenues of the company to customer concentration risk. The reduction in FY20 from the customer concentration of revenue is primarily on account of outbreak of Covid-19 and subsequent cancellation of the export orders from its major clients in export destination in March 2020.

Significant number of approvals and certifications in place - enhanced market position

Since the major proportion of the sales of KBCIPL is derived from the export markets, the requirement for significant approvals and certifications from the food and drug testing authorities in different export territories becomes pertinent. Further, since honey is used for direct consumption as food, by the public, the health concerns make it even more important for the companies engaged in the industry to get approvals for the same. KBCIPL has in place, various certifications from US-FDA, FSSAI, HALAL-India, KOSHER, etc. Further, the company also has a number of patents under its name for the 'Honey Chew' segment of products that the company manufactures. All these certifications act as a major entry barrier for the new companies to enter the honey export market. The company also has a Two Star Export House certificate from the Government of India. These certifications help the company to maintain a brand image in front of the domestic as well as the foreign clientele further leading to repeat orders and stable business relationships.

Adequate Liquidity

KBCIPL has an adequate liquidity. The operating cycle of the company remained elongated in the past on account of the seasonality in the business operations with operating cycle of ~254 days, as on March 31, 2020 (PY: 233 days). The company majorly procures, and processes mustard raw honey (for its export customers) which is available during the December to April months which leads to high level of inventory maintained with company in the form of raw and processed honey in the month of March leading to elongated inventory days in the past. The company majorly derives its income from exports (~54.12% of the total income in FY20) in the last quarter to which company offers a credit period of ~120 days and to the domestic customers, the company majorly supplies to reputed companies where it offers a credit period of ~60-90 days leading to elongated collection period of ~130 days, as on March 31, 2020. The creditors of the company also include the suppliers of packing materials (Drums) as well to whom the company makes payments around 30 days after the materials are delivered to the company. This led to an average creditors period of ~31 days as on March 31, 2020. The average utilization of the working capital limits stood at ~88.23% for the twelve-month period ended December 2020. The company availed only the first moratorium on interest payment on CC facility. The company has applied salary cuts only for the senior staff. The firm has raised funding during covid from SBI in form of Cash Credit of Rs. 3.8 crores in July 2020, against the current assets and Rs. 90 lakhs from SIDBI in June 2020 (re-payable in 30 months @ 3.00 Lakh per month from Jan.21 to June.23). It has also availed Rs 1.25 crore funding from SIDBI to support its working capital requirements, which will be repayable in 53

monthly instalments of Rs 2,32,000 each, plus the final instalment of Rs 2,04,000. The total repayments in FY21 amount to Rs 1.53 crore.

Key Rating Weakness

Moderate financial risk profile

In FY20, TOI has registered a decline of 10.43% as compared to FY19 and further the profitability of the company has declined in FY20 from Rs 14.76 crore to Rs 9.24 crore. The profitability declined due to lower absorption of the cost with decline in the sales against the envisaged levels. The loss in sale is majorly attributed to majority of export orders in last quarter of FY20 being either cancelled or put on hold. Majority of the sales of the company are from its export customers (54.12% in FY20 & ~61.62% of total income in FY19) wherein the company supplies majorly to USA (more than 95% of the total exports in FY19 & FY20) along with other geographies like European Union (EU), Africa and Middle East, etc. In the export market, the company majorly supplies honey to large traders and packers of honey like Lamex Foods, Inc., Lamex Agrifoods, Inc., Pure Sweet Honey Farms Inc., etc. Lamex Foods, Inc. and Lamex Agrifoods, Inc. are part of the UK based 'Lamex Foods Group' which is engaged in import/export of food, with products ranging from poultry, meat, and seafood, to fruits & vegetables, honey, juice & purees, and dairy. Overseas sales accounts of a good share of total revenue, and sales were halted due to restriction on movement of goods due to breakout of covid-19. Q4 sales of the company generally accounts for 40% of the total sales of the company which significantly dropped in Q4FY20 due to outbreak of COVID-19. The overall gearing of the company has reduced to 0.86x as on March 31, 2020 as against 1.02x as on March 31, 2019 on account of scheduled repayment of term debt and accretion of profits to the net worth.

During 9MFY21 (refers to period from April 01 to Dec 31), company recorded sales of Rs 66.82 crore with PBILDT of Rs 5.06 crore. The export sales started to pick up in November with the gradual unlock and pick up of sales in the Horeca segment. The company has made export sales amounting to Rs 21.5 cr till January 31, 2021 and the company has achieved sales of Rs 79.32 cr till Jan 31, 2021. The company also has orders worth Rs 87 cr in hand to be executed till March 31, 2021. Further the honey prices in the domestic & export market have increased in 9MFY21 thereby contributing to a higher PBILDT margin.

Susceptibility of margins to raw material price fluctuations, foreign exchange fluctuations

The raw material cost constituted ~72.92% of the income in FY20 period (PY: 77.42%). Further, since the majority of income of the company is derived from the export market, the company is exposed to foreign exchange price fluctuation risk as it enjoys no natural hedge against the price changes as 100% of the raw material is sourced domestically. However, to safeguard itself, the company has availed export credit facility and enters into forward contracts to hedge its forex exposure as & when required. In FY20, the company incurred a loss of Rs.0.06 cr. on account of foreign exchange fluctuations (PY: loss of Rs.0.34 Cr.)

Seasonal nature of operations

Majority of the honey supplied by KBCIPL is derived from the mustard flowers. The procurement for the same has a seasonality wherein most of the procurement is done in the January to June period every year. The company also has maximum amount of exports taking place in the fourth quarter of every year. The company accumulates inventory during this period as the supply is abundant. This leads to high inventory period at the year end and increased working capital requirement during the said period.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

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

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

[CARE's methodology for manufacturing companies](#)

[CARE's methodology for Short Term Instruments](#)

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

About the Company

Kejriwal Bee Care India Private Limited (KBCIPL) is a part of more than 5 decade old Kejriwal Group and was incorporated in October, 2002 as a private limited company for undertaking the business of processing and selling of honey majorly in the exports market. The company is promoted by Mr. Prakash Kejriwal (Chairman and Managing Director) who has more than two decades of experience in this industry. The company is engaged in the trading, processing and manufacturing of honey and honey related products. It procures raw honey from bee farmers through its collection representatives and agents majorly from North India and West Bengal. It has its sole manufacturing facility located at Banur, Punjab with an installed capacity of 15000 Metric Tonnes per annum (MTPA) for processing of honey.

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

Brief Financials (Rs. crore)	FY19 (A)	FY20(A)
Total operating income	177.94	159.37
PBILDT	14.76	9.24
PAT	5.25	3.24
Overall gearing (times)	1.02	0.86
Interest coverage (times)	2.92	2.75

A: Audited

Status of non-cooperation with previous CRA: IND BB/ A4+ INC; based on best available information in Jan 2021.

Any other information: Not Applicable

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

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-Working capital facilities	-	-	-	72.79	CARE BBB-; Stable
Term Loan-Long Term	-	-	Mar 2026	5.21	CARE BBB-; Stable
Non-fund-based - ST-Forward Contract	-	-	-	2.00	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-Working capital facilities	LT	72.79	CARE BBB-; Stable	1)CARE BBB-; Stable (28-Sep-20)	-	-	-
2.	Term Loan-Long Term	LT	5.21	CARE BBB-; Stable	1)CARE BBB-; Stable (28-Sep-20)	-	-	-
3.	Non-fund-based - ST-Forward Contract	ST	2.00	CARE A3	1)CARE A3 (28-Sep-20)	-	-	-

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
1. Cash Credit	<ul style="list-style-type: none"> • Current ratio to be maintained at minimum level of 1.33.
B. Non-financial covenants	
1. Cash Credit	<ul style="list-style-type: none"> • The company shall undertake not to divert working capital funds for long term purposes without obtaining prior written consent from the bank. • Unconditional and irrevocable, personal guarantee by Mr. Prakash kejriwal, Mrs. Kajal Kejriwal. Mr Amit Dhanuka and Ms Meenal Dhanuka.

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based-Working capital facilities	Simple
2.	Non-fund-based - ST-Forward Contract	Simple
3.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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