

Bebo International

March 30, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	3.00	CARE B+; ISSUER NOT COOPERATING* (Single B Plus ; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information.
Short term Bank Facilities	3.50	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information.
Total	6.50 (Rupees Six crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bebo International to monitor the rating(s) vide e-mail communications dated October 4, 2017, November 14, 2017, November 22, 2017, December 12, 2017, February 28, 2017, March 2, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Bebo International will now be denoted as **CARE B+; stable; ISSUER NOT COOPERATING*** and short-term bank facilities will now be denoted as **CARE A4; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating in March 30, 2017 the following were the rating strengths and weaknesses

Key Rating weakness

Experienced partners Limited track record of the firm and moderate scale of operations

BI was established in December 2011, the firm has limited track record of about five years. The firm has achieved healthy growth in total operating income during FY16, though remained moderate. It also has low net worth base of Rs.4.51 crore as on March 31, 2016 which restricts the firm's financial flexibility in times of distress.

Moderately leveraged capital structure and weak debt coverage indicators

The firm till FY14 managed the business operation through internal accruals as the business model of the firm comprised coordinating between the exporters and importers. However during FY15, given the change in nature of operation, the firm undertook working capital borrowings resulting in leveraging of capital structure. Furthermore, the capital structure remained moderately leveraged marked by overall gearing at 1.86x as on March 31, 2016 on account of enhancement of

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

* Issuer did not cooperate; Based on best available information

working capital limits from Andhra Bank at the back of increase in scale of operations. The other debt coverage indicators viz. the interest coverage ratio and total debt to GCA were also weak at 2.45x and 13.58x respectively in FY16.

Susceptibility of profit margins to climatic conditions in India

The firm procures rice from local markets, processes it and exports the processed rice to other countries. The profitability margins depend upon the purchase price of rice in the domestic market, which in turn depend upon local monsoon conditions. As the international prices of rice depend upon global production, bargaining power of the firm remains on weaker side. Therefore, any adverse weather conditions in India might affect availability of rice and result in fluctuation of prices resulting in the firm's profitability margins.

Intense competition in the rice industry

The rice processing industry is characterized by low entry barriers due to minimal capital required and easy availability of technology which has resulted in proliferation of large number of small players spread across the country. High competition has resulted in very thin profit margins for the companies operating in the industry.

Constitution of the entity as a partnership concern

Constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency which can affect its capital structure. This was reflected in the balance sheet as on March 31, 2014 when the capital to the tune of Rs.0.03 crore was withdrawn to meet personal contingency.

Furthermore, partnership concern has restricted access to external borrowing which limits their growth opportunities to some extent.

Presence in major paddy cultivation area facilitating easy procurement of raw material

The rice processing unit of BI is located in East Godavari District, Andhra Pradesh which is one of the major paddy cultivation areas in India. The processing unit is located near to a rice producing region and a port city, Kakinada, which ensures easy raw material access, smooth supply of raw materials at competitive prices and at lower logistic expenditure.

Key rating strengths

Substantial growth in total operating income during FY16

The total operating income increased significantly from Rs. 2.86 crore during FY15 to Rs. 45.41 crore during FY16 on account of increase in sales at the back of increase in utilized capacity. The firm was previously a commission agent for rice and was acting as an intermediary between exporter and importer of rice by helping them to find each other. Apart, the firm was also engaged in trading of rice. Later in June 2015, BI has set up its own rice processing unit with the installed capacity of 36,000 metric tonnes per annum (MTPA). Furthermore, the capacity was increased to 72,000 MTPA in June 2016. The firm has achieved total operating income of Rs 81 crore in 11MFY17 (Provisional) with PAT of Rs 0.20 crore.

Comfortable working capital cycle

The working capital cycle remained comfortable at 32 days in FY16 due to comfortable collection period of 4 days at the back of timely collection of payments from the debtors.

Stable outlook of rice industry

Rice is consumed in large quantity in India which provides favourable opportunity for the rice millers and thus the demand is expected to remain healthy over medium to long term. Initiatives taken by government to increase paddy acreage and better monsoon conditions will be the key factors which will boost the supply of rice to the rice processing units. Rice being the staple food for almost 65% of the population in India has a stable domestic demand outlook

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Wholesale Trading](#)

About the Firm

Bebo International (BI) was established as a partnership concern by Mr. Mr. Padala Ramareddy and Mrs. Kavita Agarwal in the year 2011. Later in 2014, one more partner, Mr. Mutyala krishnamurty joined the firm.

Initially BI was earning revenue through brokerage commission by acting as an agent between the exporters and importers of rice. The firm in June 2015 has started its own rice processing unit with total capacity of 72,000 MTPA. The firm is exporting rice which constitutes 60% of its total sales in FY16 to OLAM international Limited, a Singapore based company.

In FY16, BI had a Profit after Tax (PAT) of Rs.0.23 crore on a total operating income of Rs.45.41 crore, as against PAT and TOI of Rs.0.15 crore and Rs.2.87 crore, respectively in FY15

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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About CARE Ratings:

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Cash Credit	-	-	-	3.00	CARE B+; Stable Issuer not cooperating; Based on best available information
Fund-based - ST-EPC/PSC	-	-	-	3.50	CARE A4 Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE B+; Stable Issuer not cooperating; Based on best available information	1)CARE B+; Stable (03-May-17)	-	1)CARE B (12-Nov-15)	-
2.	Fund-based - ST-EPC/PSC	ST	3.50	CARE A4 Issuer not cooperating; Based on best available information	1)CARE A4 (03-May-17)	-	1)CARE A4 (12-Nov-15)	-

**Issuer did not cooperate; Based on best available information*

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