

Bebo International
 September 18, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of 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 Facilities	6.50 (Rs. Six Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 25, 2019, placed the ratings of Bebo International under the 'issuer non-cooperating' category as company had failed to provide information for monitoring of the rating. The firm continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated January 31, 2020 to August 28, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The revision in the rating takes into account the non-availability of requisite information due to non-cooperation by Bebo International with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Detailed description of the key rating drivers

At the time of last PR dated June 25, 2019 the following were the rating strengths and weakness

Key Rating Weakness
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 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.

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

*Issuer did not cooperate; Based on best available information

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' and 'Credit watch' to Credit Ratings](#)

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

[Financial Ratios-Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology- Manufacturing Companies](#)

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.

Brief Financials (Rs. crore)	FY15(A)	FY16(A)
Total operating income	2.87	45.41
PBILDT	0.17	1.04
PAT	0.15	0.23
Overall gearing (times)	1.59	1.86
Interest coverage (times)	10.96	2.45

A: Audited

Status of non-cooperation with previous CRA: Brick Work Ratings has conducted the review on the basis of best available information and classified 'Bebo International as "Not Cooperating" vide its press release July 16, 2020

Any other information: Not Applicable

Rating History (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 - LT-Cash Credit	-	-	-	3.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-EPC/PSC	-	-	-	3.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on based 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 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-Cash Credit	LT	3.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (25-Jun-19)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (30-Mar-18) 2)CARE B+; Stable (03-May-17)
2.	Fund-based - ST-EPC/PSC	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Jun-19)	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-18) 2)CARE A4 (03-May-17)

*Issuer did not cooperate; based on based available information

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-EPC/PSC	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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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.

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