

Kejriwal Bee Care India Private Limited

September 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long- Term Bank facilities	67.44	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-Term Bank facilities	2.00	CARE A3 (A Three)	Assigned
Total Facilities	69.44 (Rs. Sixty nine Crore and Forty four Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Kejriwal Bee Care India Private Limited (KBCIPL) derives strength from the experienced promoters with long track record of operations, reputed client base and established business relationships with customers and suppliers, strong brand name and market position, certifications from the top food and drug testing agencies leading to high level of entry barriers and comfortable capital structure. The rating is, however, constrained by the fluctuating scale of operations and seasonal nature of operations with susceptibility of profitability margins to raw material price fluctuations and exchange rate movements.

KBCIPL sought moratorium on the scheduled interest payments from its lenders for the months of March 2020 to May 2020 as part of the COVID-19 - Regulatory Package announced by the RBI on March 27, 2020. The company has received the formal approval from the lenders allowing for the deferment of the payments for the aforementioned months. 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:

- Sustained improvement in total operating income of the company over Rs. 250 cr.
- Ability of the company to enhance its PBILDT margins to 11% or more on a sustained basis.

Negative:

- Reduction of PBILDT margin below 6% on a sustained basis.
- Any sizeable capex undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 1.5x.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter with 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 around 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.

Reputed client base and established business relationships with customers and suppliers

The 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 leading to 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. KBCIPL has association with overseas clients such as Lamex Food Inc. (Bloomington), Pure Sweet Honey Inc. (Wisconsin) and Odem international Inc. (Philadelphia). In India, KBCIPL caters to Kellogg India Private Limited, Patanjali Ayurved Limited, Shree Baidyanath Ayurved Bhawan Private Limited, The Himalaya Drug Company and Nestle India Limited, among others. Established in 1967, Kejriwal Group started exporting honey in 1996 to many countries in Europe and the

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

Middle East, as well as to the US. Further in FY21, company has started supplying to Marico Ltd in domestic market. Company tied up with Marico to prevent the loss in sale due to the slowdown of the export sales on account of disruptions caused due to Outbreak of COVID-19 which led to lower demand in the HoReCa (Hotels, restaurant and canteen) segment and supply chain challenges.

High entry barriers

Since the major proportion of the sales of KBCIPL are 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 international regulatory bodies such as US Food and Drugs Administration, European Union Standards, Food Safety and Standards Authority of India, Bureau of Indian Standards and Saudi Arabian Standards Organization. . 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. KBCIPL is one of the major honey exporting entities in India with an established brand name. The company operates under two brands namely Nature's Nectar and Honey Chew. In the export market also company has a significant market share. Further the government has asked the Export Inspection Council to make NMR testing mandatory for honey exported from India to ensure of quality of product. This will ensure quality and help exporters to get better price in the international market and this move shall bode well for the established players in the industry.

Adequate Liquidity

The Company has adequate liquidity position with the tcurrent ratio of 1.71x as on March 31, 2020 (provisional) as against 1.56x as on March 31, 2019. The Operating cycle of the company stood at 255 days in FY20 (provisional) as against 197 days in FY19. The increase in the operating cycle is majorly on account of large inventory requirements of honey during the harvesting season to execute orders throughout the year, which was further aggravated due to disruptions in supply chain management during March 2020 due to COVID-19 induced lockdown. The average inventory days increased to 162 days in FY20 (provisional) from 123 days in FY19. The average utilization at maximum level for past 12 months ending August 2020 at the maximum level stood high at 91.6%. The Company availed moratorium for interest payments on cash credit facility for period March 2020 to May 2020..Further KBCIPL had repayments due of Rs 1.40 crore in FY21.

Key Rating Weakness

Susceptibility of margins to raw material price fluctuations and exchange rate movements

The major raw material for the company is honey, the prices of which is dependent on the weather conditions, seasons, growth of flowers, etc, and is thus volatile in nature. Thus, the margins of KBCIPL are exposed to raw material price fluctuation risk. The raw material cost constituted ~75% of the income on an average in FY17-FY20 period. . 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 FY19, the company incurred a loss of Rs.1.17 cr. on account of adverse foreign exchange price fluctuations (PY: income of Rs.3.49 Cr.)

Seasonal nature of operations

The 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 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 period.

Industry Outlook

The demand for honey in India is augmenting on account of the growing consumer preference for natural and healthy alternatives of artificial sweeteners, rising awareness regarding the benefits of honey and increasing popularity of various honey flavors. In addition, owing to its proven anti-bacterial, anti-microbial and anti-inflammatory properties, honey is projected to gain a momentum in both the food and non-food applications across the country. Further, post the outbreak of COVID-19 the demand of honey in the domestic market has also picked

up as honey is being considered as an Immunity booster. The Government has been supporting the production of honey in India by granting help in developing business through commercialization, R&D activities, innovation and exporting.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

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

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(P)
Total operating income	177.94	158.21
PBILDT	14.76	8.23
PAT	5.25	2.68
Overall gearing (times)	1.02	0.86
Interest coverage (times)	2.92	2.51

A: Audited P: Provisional

Status of non-cooperation with previous CRA: KBCIPL has not cooperated with India Ratings and Research which has classified it as issuer not cooperative vide Press release dated June 18, 2020. The reason provided by India Ratings and Research is non-participation in the rating exercise despite continuous requests and follow-ups by the agency.

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	-	-	-	63.00	CARE BBB-; Stable
Term Loan-Long Term	-	-	Nov 2024	4.44	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	63.00	CARE BBB-; Stable	-	-	-	-
2.	Term Loan-Long Term	LT	4.44	CARE BBB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Forward Contract	ST	2.00	CARE A3	-	-	-	-

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. Unsecured loans from the promoters to be retained.
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. Company to provide periodic (half yearly) financials
2. Term Loan	The security includes: <ul style="list-style-type: none"> First charge by way of hypothecation in favour of SIDBI of the plant, machinery, equipment, tools, spares, accessories and all other assets which have been proposed to be acquired under the project/scheme. Unconditional and irrevocable, personal guarantee by Mr. Prakash kejriwal, Ms. Kajal Kejriwal.

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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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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