

August 31, 2023

KF Bioplants Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	26.43	26.43	[ICRA]BBB (Stable); reaffirmed
Long-term Fund-based – Working capital limits	6.50	6.50	[ICRA]BBB (Stable); reaffirmed
Short-term Non-fund based – Working capital limits	1.25	1.25	[ICRA]A3+; reaffirmed
Total	34.18	34.18	

*Instrument details are provided in Annexure-I

Rationale

The rating is primarily driven by the standalone credit profile of KF Bioplants Private Limited (KFB). ICRA has not consolidated the financials of its relatively stronger subsidiary, Futura Bioplants Private Limited (Futura; 50.11% shareholding of KFB), given the significant interest of its JV partner (49.89% shareholding of K Schoone Orchidden BV), which is expected to be a structural constraint on KFB's ability to have unfettered control over Futura's cash flows. The rating, however, factors in the probability of crystallisation of the contingent liability in the form of a corporate guarantee by KFB on Futura's debt.

The reaffirmation of ratings for KFB factors in its established operational track and the extensive experience of its promoters of around two decades in the floriculture business. Additionally, KFB also benefits from its strong association with Hilverda Florist BV, Netherlands (49.89% shareholding in KFB), which specialises in selection, breeding, and propagation of gerbera cut flowers and potted plants. This in turn enables the company to enjoy a diversified revenue stream with presence in both domestic and export markets, with the export business accounting for ~65-70% of the total revenues. Moreover, KFB continues to have a healthy market share in both domestic and export markets for gerbera flowers. KFB commissioned its third laboratory in December 2022 for expanding its production capacities and scaling up production in this facility is expected to support its future growth. While the incremental debt undertaken for setting up the lab has increased the overall debt levels, KFB's capital structure and coverage metrics continue to remain comfortable.

The ratings, however, remain constrained by KFB's moderate scale of operations, with revenues of Rs. 80.9 crore in FY2023, relative to the overall size of the floriculture industry. Further, the company is exposed to forex risk as a large share of its revenue come from exports. Nonetheless, the import of mother seeds and royalty payment to breeders, coupled with repayment of its foreign currency loan, provide a natural hedge, thus minimizing this risk to some extent. KFB undertook a share buyback of Rs. 12 crore in FY2023; however, despite the same its liquidity position has remained adequate. ICRA also notes the likelihood of further sizeable share buybacks over the near to medium term, while any higher than anticipated outflow towards the same and its impact on the company's credit profile will remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its track record of operations, established client base and healthy financial risk profile.

Key rating drivers and their description

Credit strengths

Experienced promoters and strong association with Hilverda Florist BV – KFB is a joint venture between Manish Vimalkumar Jain Trust (50%) and Hilverda Florist BV (50%) and is promoted by Mr. Manish Vimalkumar Jain, who has been associated with the floriculture industry for more than two decades. Hilverda Florist BV is a Dutch company specialised in the selection, breeding and propagation of gerbera cut flowers and potted plants and is a part of the Royal Hilverda Group, which has been involved in the breeding and propagation business over the last 110 years. KFB derives ~30.0% of its revenues from its sales to Hilverda Florist BV. It also imports most of the mother seeds from them.

Diversified revenue stream from both export and domestic markets – KFB has a well-diversified geographic profile with presence in domestic and export markets. About ~65-70% of KFB's revenues are derived from exports, with the Netherlands and Italy being its key export destinations, while the rest come from the domestic market, thus lending some diversity to its revenue streams.

Healthy financial risk profile – Despite recent debt-funded capex towards a new laboratory, KFB's financial risk profile continues to remain healthy supported by steady accrual generation and moderate debt levels. Its gearing level continues to remain low at 0.2x (as on March 31, 2023). Further, the interest cover remains healthy at 29.1x (as on March 31, 2023). Moreover, coverage metrics are expected to remain comfortable supported by steady accrual generation and no material increase in debt levels.

Credit challenges

Moderate scale of operations – With revenues of Rs. 80.9 crore in FY2023, KFB's scale of operations continue to remain moderate as compared to the floriculture industry. However, with the commissioning of the new laboratory in December 2022 and the expected scaling up of production, ICRA expects some improvement in the company's scale of operations over the medium term.

Exposure to fluctuation in forex rates – The company generates about two-thirds of its revenues from exports, which exposes it to foreign currency fluctuations. Nonetheless, the import of mother seeds and royalty payment to breeders, coupled with ECB loan repayments, provide a natural hedge and minimises this risk to some extent.

Exposed to agro-climatic conditions – The company is involved in the micropropagation of plants, most of which is carried out in a protected lab environment. KFB directly exports bare rooted plants from its laboratory to its overseas customers, while it grows the bare rooted plants in its greenhouse for domestic customers. While the greenhouse has regulated climatic conditions, it remains partially exposed to external agro-climatic conditions as was witnessed in FY2020 when its revenues were impacted by the heavy floods in western Maharashtra.

Liquidity position: Adequate

KFB's liquidity profile remains **adequate**, supported by its steady accrual generations, cash and investment balance of ~Rs. 17.5 crore and a significant healthy cushion in the form of undrawn fund-based working capital limits as on March 31, 2023. KFB's has annual debt repayment of Rs. 5.0-6.0 crore during FY2024-FY2026, which is expected to be comfortably met through its internal accrual generation. ICRA also notes the equity buy back by the company in FY2023 and its plans of further buybacks over the near to medium term. Any higher than anticipated equity buyback and its impact on the company's liquidity profile will remain a key monitorable.

Rating sensitivities

Positive factors – ICRA could upgrade KFB’s rating if it demonstrates significant improvement in its scale of operations while maintaining healthy debt protection metrics.

Negative factors – Pressure on KFB’s ratings would arise if it witnesses considerable weakening in its revenue and profitability on a sustained basis or any significant debt-funded capex, or higher than anticipated dividend payout/ share buyback leads to weakening of its liquidity position and credit metrics. Specific metrics that could trigger a rating downgrade include Total Debt/OPBITDA above 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is primarily based on the standalone financial statement of the issuer. However, the rating also factors in the probability of crystallisation of the contingent liability in the form of corporate guarantee provided by KFB on Futura’s debt.

About the company

KFB was established in 1997 as a joint venture between Florist Holland BV, Netherlands, and Kumar Gentech, India. Kumar Gentech was a 100% subsidiary of Kumar Properties in India. At present, the company is a JV between Manish VimalKumar Jain Trust (50%) and Hilverda Florist BV (50%). Florist Holland BV merged with Hilverda Florist BV effective from March 3, 2020. The company is a biotechnology firm with two propagation laboratory facilities in Pune (Maharashtra). It specialises in the micropropagation of floriculture plant species (e.g., gerbera, anthurium, carnation, limonium, etc)

Key financial indicators (audited)

KFB – Standalone	FY2022	FY2023*
Operating income	78.5	80.9
PAT	18.8	19.9
OPBDIT/OI	29.3%	20.6%
PAT/OI	23.9%	24.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.2	1.6
Interest coverage (times)	36.5	29.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 31, 2023	Aug 10, 2022	Jun 02, 2021	-
1 Term loan	Long term	26.43	26.43	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
2 Fund-based – Working Capital limits	Long term	6.50	--	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
3 Non-fund Based – Working Capital limits	Short term	1.25	--	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Working Capital limits	Simple
Short-term Non-fund Based – Working Capital limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Dec 2021	EURIBOR+350bps	Dec 2027	26.43	[ICRA]BBB (Stable)
NA	Fund-based – Working Capital limits	NA	NA	NA	6.50	[ICRA]BBB (Stable)
NA	Non-fund Based – Working Capital limits	NA	NA	NA	1.25	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 022 61143400

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Rashmi Gole

+91 020 66069917

rashmi.gole@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.