

April 03, 2025

Kayem Food Industries Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits – Term loan	276.81	214.90	[ICRA]BBB- (Stable); reaffirmed
Long-term – Fund-based limits – Cash credit	34.00	66.00	[ICRA]BBB- (Stable); reaffirmed
Short-term – Non-fund based limits - LC	25.50	12.00	[ICRA]A3; reaffirmed
Short-term – Non-fund based limits – BG	-	7.50	[ICRA]A3; reaffirmed
Short-term – Non-fund based limits – LC/BG (proposed)	13.69	-	-
Short-term – Interchangeable [^]	(32.00)	-	-
Long term/short-term-Unallocated	-	49.60	[ICRA]BBB- (Stable) /[ICRA] A3; reaffirmed
Total	350.00	350.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings for Kayem Food Industries Private Limited (Kayem) factors in the extensive experience of its promoters and its established operational track record as a leading contract manufacturer in the breakfast cereals segment. The company manufactures a wide product portfolio for its customer base of reputed fast moving consumer goods (FMCG) companies with whom it shares a healthy share of business. Leveraging on the same, Kayem reported steady revenues of Rs. 348.3 crore in FY2024 (~4% YoY growth) and Rs. 365 crore in 11M FY2025. Also, given the nature of contractual agreements with its customers, the company earns fixed conversion margins and is largely able to pass on the raw material price increase to its customers. This protects the operating profit margins (OPM) from adverse fluctuations in prices of key raw materials, leading to stable OPM of ~20% in recent fiscals. Going forward, Kayem is expected to report steady revenue growth, along with sustenance of comfortable leverage profile, supported by repeat order inflow, addition of new customers and higher exports.

However, the ratings remain constrained by Kayem's moderate scale of operations and competitive nature of the industry, which limits its pricing flexibility to some extent. The company also has high leverage levels and moderate debt coverage metrics due to the debt-funded capex towards its Rai facility in the past. However, it has refinanced a sizeable part of the external debt, which has led to considerable decline in its interest costs in 9M FY2025. Moreover, it has no sizeable debt funded capex plans over the next two fiscals, which will further improve the coverage metrics going forward. Kayem continues to be exposed to high client concentration risk with its top three customers accounting for ~60% of its revenues. However, established relationships and healthy share of business with its customers, coupled with high entry barriers in the industry, mitigate the risk to an extent. Any adverse changes in the key business terms with major clients, however, remains a rating sensitivity.

The Stable outlook on the long-term rating reflects ICRA's expectations that Kayem will continue to benefit from its operational strengths and maintain a stable earnings profile, with improvement in its credit metrics on the back of steady accrual generation and no major increase in its debt levels.

Key rating drivers and their description

Credit strengths

Leading contract manufacturer for breakfast cereals in India with a diverse product mix - Incorporated in 1986, Kayem has been promoted by the Mahajan family, who have an extensive experience of over three decades in the food processing and manufacturing industry. Through its strong technological and manufacturing capabilities of a diverse range of products in the breakfast cereals segment, Kayem has maintained its status as a leading contract manufacturer for food companies in India.

Healthy share of business with diverse customer base, which includes reputed FMCG industry players - Over the years, Kayem has developed a wide customer base of leading FMCG companies, such as Nestle, Kellogg's, PepsiCo, Marico, Mondelez, Capital Foods, and DMart, among others. The company's established relationships with most of its customers, along with a healthy share of business, lead to steady offtake and revenue visibility for the near to medium term. Owing to its established business position in the industry, the company continues to add new customers in its portfolio along with increasing export orders from the existing FMCG players of the industry.

Healthy operating margins with ability to pass through costs to customers - Kayem has been able to maintain healthy OPM levels over the years, owing to its operational efficiencies, diverse product mix and healthy share of business with exclusivity in customers. Kayem's operating margins have moderated in recent years (~20% in FY2023-24 against ~25% in the past) due to lower offtake of margin-accretive products in the Gurgaon facility and gradual scale-up of its Rai facility (which has comparatively lower profitability). Also, given the nature of contractual agreements with its customers, the company earns fixed conversion margins and is largely able to pass on the raw material price increase to its customers. This further protects the profit margins from any adverse fluctuations in prices of key raw materials.

Steady revenue growth in recent years - Kayem has witnessed steady revenue growth over the past two fiscals, on the back of healthy offtake from its integrated manufacturing unit in Rai and repeat order inflow from existing customers. In 11M FY2025, Kayem has achieved revenues of Rs. 365 crore, which is estimated to grow to ~Rs. 400 crore for the entire fiscal translating into a growth of 15% YoY. The scale-up of operations is supported by the growing share of revenues from its integrated manufacturing facility in Rai, healthy increase in offtake from existing customers, addition of new customers, widening of the product mix and geographic expansion advantages.

Credit challenges

Moderate scale of operations - Despite its long operational track record and healthy revenue growth trajectory over the years, Kayem's scale of operations remains moderate with a part of manufacturing activity being carried out on a job-work basis for one customer and moderately utilised manufacturing capacities at Rai. However, repeat order nature from key customers and addition of new clients and products are expected to support the scaling up of operations over the near to medium term. Additionally, Kayem's operations remain susceptible to quality risks, given the nature of operations of the food processing industry. Any adverse change in key business terms with major clients also remains a sensitivity.

Exposed to competitive intensity of the industry and client concentration risk - Kayem faces high competition inherent to the food processing industry, especially in the breakfast cereals segment, as the market is fragmented with top companies having multiple outsourcing vendors, along with their own manufacturing bases. However, same is mitigated to some extent since the company has healthy share of business for the breakfast cereal segment for the geographies it operates in. Moreover, Kayem is exposed to high customer concentration risk as its top three customers accounted for ~60% of its revenues. However, healthy share of business and exclusivity shared with them primarily provides comfort. Further, owing to the high technological requirements and quality standards required by customers, barrier to entry remains high for the industry, which further supports Kayem's business position.

High leverage levels and moderate debt coverage indicators - Kayem's financial risk profile is marked by high leverage levels, owing to debt-funded capex undertaken in the past for setting up its Rai facility, which, coupled with moderate accrual

generation and sizeable debt repayment liability (including interest), resulted in moderate debt coverage indicators over the years. Additionally, Kayem has unsecured loans by promoters, which are interest free and treated as quasi equity. With the retirement of debt undertaken, the coverage indicators have improved slightly as reflected in Total External Debt/OPBITDA of 3.7 times in FY2024 (4.1 times in FY2023). With steady cash accrual generation, scheduled debt repayments and low reliance on external debt, the leverage and coverage indicators are expected to remain comfortable, with Total External Debt/OPBITDA below 3.0 times for the near to medium term.

Liquidity position: Adequate

Kayem's liquidity position is adequate, supported by steady internal accrual generation and unencumbered cash/bank balances of Rs. 34.9 crore as on February 28, 2025, and cushion available in the form of undrawn working capital limits of ~Rs. 35 crore as of February 2025. Given the existing level of unutilised manufacturing capacities, Kayem does not have any major capex plans and its internal accrual generation is expected to be sufficient to service its annual debt repayment obligations of Rs. 45-50 crore p.a. for FY2026-2027.

Rating sensitivities

Positive factors – ICRA could upgrade Kayem's ratings, if there is any sustained improvement in scale of operations and internal accrual generation, leading to strengthening of its debt protection metrics and liquidity position.

Negative factors – Pressure on Kayem's ratings could arise, if there is any considerable decline in revenue and internal accrual generation and/or sizeable debt-funded capex or stretching of working capital cycle, exert pressure on liquidity position and debt coverage metrics. Specific credit metrics that could lead to a ratings downgrade include Total External Debt/OPBITDA of more than 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1986, Kayem is involved in manufacturing breakfast cereals, extruded cereals, dehydrated fruits and vegetables, sauces, premixes and jams. The company has been promoted by the Mahajan family, who have an experience of over two decades in the industry. It is the largest contract manufacturer in the breakfast cereals category and caters to reputed FMCG players such as Nestle, Kellogg's, Marico, PepsiCo, DMart, Capital Foods, and Mondelez, among others. Kayem operates from its manufacturing units at three key locations in Haryana—Rai, Panipat and Gurgaon.

Key financial indicators (audited)

Kayem Foods (Standalone)	FY2023	FY2024
Operating income	335.3	348.3
PAT	4.8	5.6
OPBDIT/OI	20.4%	20.1%
PAT/OI	1.4%	1.6%
Total outside liabilities/Tangible net worth (times)	2.9	2.2
Total debt/OPBDIT (times)	4.9	4.2

Interest coverage (times)

1.4

1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable
Any other information: None
Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Apr 03, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based limits – Term loan	Long-term	214.90	[ICRA]BBB-(Stable)	-	-	Jan 25, 2024	[ICRA]BBB-(Stable)	Mar 03, 2023	[ICRA]B (Stable); ISSUER NOT COOPERATING; Withdrawn
				-	-	April 10, 2023	[ICRA]BBB-(Stable)	-	-
Fund based limits – Cash credit	Long-term	66.00	[ICRA]BBB-(Stable)	-	-	Jan 25, 2024	[ICRA]BBB-(Stable)	Mar 03, 2023	[ICRA]B (Stable); ISSUER NOT COOPERATING; Withdrawn
				-	-	April 10, 2023	[ICRA]BBB-(Stable)	-	-
Non-fund based limits – LC	Short-term	12.00	[ICRA]A3	-	-	Jan 25, 2024	[ICRA]A3	Mar 03, 2023	[ICRA]A4; ISSUER NOT COOPERATING; Withdrawn
				-	-	April 10, 2023	[ICRA]A3	-	-
Non-fund based limits – BG	Short-term	7.50	[ICRA]A3	-	-	-	-	-	-
Unallocated	Long-term/ Short term	49.60	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-	-	-	-
Fund based limits – Term loan (proposed)	Long-term	-	-	-	-	April 10, 2023	[ICRA]BBB-(Stable)	-	-
Fund based limits – Overdraft	Long-term	-	-	-	-	April 10, 2023	[ICRA]BBB-(Stable)	-	-
Non-fund based limits – LC/BG (proposed)	Short-term	-	-	-	-	Jan 25, 2024	[ICRA]A3	-	-
				-	-	April 10, 2023	[ICRA]A3	-	-
Short-term – Interchangeable^	Short-term	-	-	-	-	Jan 25, 2024	[ICRA]A3	-	-
				-	-	April 10, 2023	[ICRA]A3	-	-
Unallocated	Long term	-	-	-	-	-	-	Mar 03, 2023	[ICRA]B (Stable);

ISSUER NOT
COOPERATING;
Withdrawn

[^]sub-limits of non-fund based limits/LC; & on watch with developing implication

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based limits – Term loan	Simple
Long-term – Fund based limits – Cash credit	Simple
Short-term – Non-fund based limits – LC	Simple
Short-term – Non-fund based limits – BG	Simple
Long term/ Short term-Unallocated	NA

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	Long-term – Fund based limits – Term loan	FY2022-FY2024	9.0-10.0%	FY2030-FY2032	214.90	[ICRA]BBB- (Stable)
NA	Long-term – Fund based limits – Cash credit	-	-	-	66.00	[ICRA]BBB- (Stable)
NA	Short-term – Non-fund based limits - LC	-	-	-	12.00	[ICRA]A3
NA	Short-term – Non-fund based limits - BG	-	-	-	7.50	[ICRA]A3
NA	Long-Term/Short-Term-Unallocated	-	-	-	49.6	[ICRA]BBB- (Stable) /[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

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