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ICRA reaffirms the LBB and A4 ratings for bank facilities of K.S. Commodities Private Limited

ICRA has reaffirmed the long term rating of LBB (pronounced as L double B) to the Rs. 110 million fund based facilities of K.S. Commodities Private Limited (KSC)[†]. The rating carries a stable outlook. ICRA has also reaffirmed the short term rating of A4 (pronounced as A four) to the Rs. 10 million non-fund based facilities of KSC[†].

The rating reaffirmation takes into consideration the intensely competitive nature of the agricultural commodity trading industry and KSC's high gearing. Further, the margins in the company's core business of trading of agricultural commodities are thin and susceptible to adverse agricultural commodity price movement and the cyclicity inherent to the agricultural sector. These factors have resulted in below average profitability indicators, which coupled with the company's high gearing has translated into average debt protection indicators. ICRA however draws comfort from the experience of the promoters in the agricultural commodity trading business and its established trading network. Going forward, the company's ability to increase its profitability through an improved trading portfolio will remain key rating sensitivity.

Company Profile:

K.S. Commodities Pvt Ltd (KSC) was promoted in 1998 by Mr. N. Mohan Narang for trading in agricultural commodities (sugar, rice, pulses, oil meals, etc). The company is registered with Federation of Indian Export Organizations (FIEO), Agricultural and Processed Food Products Export Development Authority (APEDA) and the Government of India. KSC specializes in procurement and marketing of various agricultural commodities mainly from India and international agro commodity markets. The company's network encompasses agro commodities market of CIS Countries, South East Asia, Middle East Asia and Australia apart from the domestic market.

KSC reported an operating profit of Rs 16.0 million on an operating income of Rs 583.0 million for 9 months ended December 2009.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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