

November 22, 2023

KRBL Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long Term - Fund based limits – Working Capital	1,460.00	1,460.00	[ICRA]AA(Stable)
Long Term - Fund based Unallocated	115.00	115.00	[ICRA]AA(Stable)
Short Term - Non-fund-based limits – LC / BG / Forward limit	145.00	145.00	[ICRA]A1+
Short Term - Non-fund based Unallocated	78.00	78.00	[ICRA]A1+
Commercial Paper^	500.00	500.00	[ICRA]A1+
Total	2,298.00	2,298.00	

*Instrument details are provided in Annexure-1, ^carved out of working capital limits and proposed

Rationale

Material Event

As per KRBL Limited's (KRBL) disclosure on BSE website dated November 9, 2023, Al Quraishi Marketing Co. Limited (AQM) has initiated legal proceedings on November 7, 2023, under Section 9 of the Arbitration and Conciliation Act, 1996 against KRBL before the Delhi High Court, seeking interim relief till the conclusion of arbitration proceedings.

AQM has been a distributor of KRBL in Saudi Arabia since January 2022, pursuant to a Retail Distributorship Agreement (RDA). AQM has sought injunction, restraining KRBL from engaging with or appointing any other distributor for the same channels granted exclusively to AQM under RDA and has also made a claim of \$33.3 million. In the hearing dated November 10, 2023, the Delhi High Court has directed KRBL to maintain status quo with AQM as the sole and exclusive distributor in the Kingdom of Saudi Arabia for retail and online sales channels (as per clause 2.1 of RDA) till the next date of hearing, which is scheduled for January 11, 2024. As per the company's management, KRBL will be filing an appeal on the above matter, citing non-fulfilment of AQM's obligations under RDA.

Impact of Material Event

The company's retail and online distribution in Saudi Arabia (a key export market for KRBL) would be impacted till the outcome of the court decision. Increase in domestic sales and higher exports to other markets, as reflected in H1 FY2024 financials may enable KRBL to offset the impact. ICRA believes that KRBL's branded rice exports could be impacted in the near term, which commands relatively higher profit margins. Consequently, KRBL's operating profitability could also be impacted to that extent.

The overall impact of this development on KRBL's credit profile will be clear after the outcome of the court decision. Owing to KRBL's strong cash accruals, healthy net worth and the comfortable liquidity position, ICRA does not anticipate any major adverse impact on the financial position and credit profile of the company in the near term. ICRA will continue to monitor the developments and assess the company's credit profile, once more clarity emerges.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Rice Millers
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KRBL Limited. As on March 31, 2023, the company had three subsidiaries (including a step-down subsidiary; enlisted in Annexure-2) The details have been given in Annexure II.

About the company

KRBL was set up in 1993 by Mr. Anil K. Mittal, Mr. Anoop K. Gupta and Mr. Arun K. Gupta. The company is one of the largest integrated rice companies in India. The product portfolio of the company comprises brown rice, white rice, steamed rice, parboiled rice, organic rice, chia seeds, bran oil etc. While KRBL deals in both basmati as well as non-basmati rice varieties, its major focus remains on milling basmati rice. KRBL has a strong presence in both domestic as well as international markets, where it is largely present in the branded basmati segment. The brands of the company include 'India Gate', 'Doon' and 'Nur Jahan', which cater to the premium basmati rice segment. The company has also increased its focus in the low-price basmati rice segment under a separate brand, 'Unity'. The company has a total rice milling and processing capacity of more than 12 lakh MT.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	4,210.6	5,363.2
PAT	459.4	701.0
OPBDIT/OI	15.7%	17.7%
PAT/OI	10.9%	13.1%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.2	0.3
Interest coverage (times)	49.4	64.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Amounts in Rs. crore

Source: Company; ICRA Research

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 (Rs. crore)	Date and Rating on	Date & Rating				
						FY2023		FY2022	FY2021	
					Nov 22, 2023	Feb 28, 2023	Nov 23, 2022	Nov 8, 2021	Feb 3, 2021	Sep 14, 2020
1	Term Loans	Long-term	0.00	NA	-	-	-	[ICRA] AA- (Stable)	[ICRA] AA-@	[ICRA] AA- (Stable)
2	Working Capital	Long-term	1,460.00	-	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	[ICRA] AA-@	[ICRA] AA- (Stable)
3	Unallocated	Long-term	115.00	-	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)	-	-
4	Non-Fund Based – LC/BG/ Forward Limit	Short-term	145.00	-	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+@	[ICRA] A1+
5	Unallocated	Short-term	78.00	NA	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	-	-
6	Commercial Paper^	Short-term	500.00	Nil	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+@	[ICRA] A1+

^carved out of working capital limits and proposed; @ refers to Rating Under Watch with Negative Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund based limits – Working Capital	Simple
Long Term - Fund based – Unallocated	Not Applicable
Short Term - Non-fund-based limits – LC / BG / Forward limit	Very Simple
Short Term - Non-fund based – Unallocated	Not Applicable
Commercial Paper	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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund based – Working capital facilities	NA	NA	NA	1,460.00	[ICRA]AA(Stable)
NA	Fund based - Unallocated	NA	NA	NA	115.00	[ICRA]AA(Stable)
NA	Non-fund-based limits – LC / BG / Forward limit	NA	NA	NA	145.00	[ICRA]A1+
NA	Non-fund based unallocated	NA	NA	NA	78.00	[ICRA]A1+
Yet to be placed	Commercial Paper^	NA	NA	NA	500.00	[ICRA]A1+

Source: Company; ^carved out of working capital limits and proposed

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

Annexure-II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
KB Exports Private Limited	70%	Full Consolidation
KRBL DMCC	100%	Full Consolidation
KRBL LLC^	100%	Full Consolidation

Source: Company; ^Step-down subsidiary of KRBL DMCC

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Branches



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