

December 27, 2024

KRBL Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits – Working Capital	1,460.00	1,875.00	[ICRA]AA(Stable); reaffirmed/assigned
Long-term – Unallocated	115.00	125.00	[ICRA]AA(Stable); reaffirmed/assigned
Short-term – Non-fund-based limits – LC / BG / Forward limit	145.00	145.00	[ICRA]A1+; reaffirmed
Short-term – Unallocated	78.00	74.00	[ICRA]A1+; reaffirmed
Commercial Paper^	500.00	500.00	[ICRA]A1+; reaffirmed
Total	2,298.00	2,719.00	

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

Rationale

The ratings reaffirmation continues to take into consideration KRBL Limited's (KRBL) strong market position in the basmati rice industry and its comfortable financial risk profile, as reflected by healthy accrual generation, low leveraging and healthy debt coverage metrics. KRBL's strong brand presence (both in the domestic and export markets), well established distribution network and diversification of its revenue stream, given its wide geographical presence, continue to support the ratings. The favourable location of KRBL's facilities ensures easy access to the key raw material, paddy, and provides significant comfort to the company's operations. The company's revenues are expected to remain flat in FY2025 (compared to FY2024) owing to relatively weak export revenues. However, aided by the company's efforts to scale up exports across markets and favourable domestic demand growth prospects for basmati rice, the company is expected to record moderate growth in revenues, going forward. The company's operating margin is also expected to remain suppressed in the current fiscal owing to lower gross margins (higher cost of paddy procured) and under absorption of fixed overheads. The margins are expected to gradually improve, going forward, aided by a scale-up in the company's exports and an improvement in gross margins.

The company is expected to continue to maintain healthy debt coverage metrics and robust liquidity profile, going forward as well. Moreover, large free balances, healthy accruals and significant cushion in the working capital limits would continue to support the company's strong liquidity position. Over the medium term, the growth in domestic sales for the company is likely to remain supported by the strong demand from metro cities along with an increase in demand of basmati rice from tier-1 and tier-2 cities. Additionally, due to improvement in the standard of living, there is a shift of customers from non-branded rice to branded rice in India.

ICRA notes that the company's dispute with its distributor in Saudi Arabia has constrained its export prospects over the past few fiscals. A demand from its earlier distributor is also currently under arbitration and remains a monitorable. The company is in the process of appointing a new distributor and simultaneously opening its own office in Saudi Arabia, which is expected to steadily improve its export revenues over the medium term.

The ratings are, however, constrained by the stiff competition in the industry and the inherently working capital-intensive nature of operations, driven by high inventory required to be maintained owing to the seasonality of basmati paddy availability (October to December). The sizeable inventory levels expose the company to the inventory price risk owing to the volatility in prices of both basmati paddy and rice, which is cushioned by the premium pricing due to ageing of inventory as well as KRBL's strong brand presence. The company also remains vulnerable to adverse movements in foreign exchange rates and changes in trade policies of key export destinations and Government regulations. Its operations also remain exposed to agro-climatic

risks, which affect the availability, quality and pricing of basmati rice/paddy. ICRA notes that the company is exposed to the risks associated with environmental regulations, which could adversely impact its operations. ICRA continues to note the ongoing litigations related to various investigations and will continue to monitor the impact of the same on the credit profile of the company.

The Stable outlook on the long-term rating factors in expectation that KRBL is likely to sustain its operating metrics and strong financial risk profile, going forward, through steady cash flow generation, deriving significant benefit from its leadership position in the industry and a strong brand presence.

Key rating drivers and their description

Credit strengths

Leading player in Indian basmati sector with strong brand presence and wide distribution network – KRBL is a fully-integrated rice company with an operational track record of over three decades. Moreover, the company's promoters have several decades of experience in the basmati rice industry. KRBL's agri-business is integrated in nature with presence across the value chain comprising milling of paddy, captive husk-based power generation and processing of byproducts. Moreover, a wide distribution network and an established client base have enabled KRBL to emerge as one of the leading players in the industry. KRBL's revenue stream is diversified, given its presence in both domestic and export markets, which reduces the concentration to any specific geography. Strong demand from domestic markets, aided by shift of domestic consumers from unbranded rice to branded rice is likely to help the company maintain flat revenues in FY2025, despite possibility of decline in export revenues. Further, steady contribution from its renewable energy generation business segment continues to aid its profit margins to an extent.

Favourable location of KRBL's facilities – The company's facilities are located in Punjab, Uttar Pradesh and Haryana, ensuring easy access to the key raw material, i.e., paddy which is procured during the harvest season (October to January). Moreover, these states have numerous other small-to-medium-sized basmati rice milling units, which provide semi-processed/milled rice to KRBL for its processing facility.

Comfortable capital structure and strong debt protection metrics – Healthy internal accrual generation reduced the company's reliance on external debt for meeting the funding requirements (capex and working capital). As a result, KRBL's capital structure remained comfortable with a gearing of 0.1 times as on March 31, 2024. Moreover, with deployment of internal accruals and large cash balances towards meeting the working capital requirements, there has been a steady decline in the external debt-funded inventory. With internal accruals likely to remain healthy, the external debt funding of inventory would remain low, thereby maintaining KRBL's comfortable capital structure and debt protection metrics.

Credit challenges

High working capital intensity, exposed to intense competition in the industry – The company's working capital intensity remains high primarily due to high inventory levels (given the seasonality in the availability of basmati paddy and the need to store rice for ageing). While high inventory levels increase KRBL's vulnerability towards price volatility, it is valued at a cost and carries a premium pricing due to ageing, which mitigates the impact of price volatility to some extent. The basmati rice industry is highly fragmented and is marked by the presence of numerous players. This intensifies competition and limits the pricing flexibility of the industry participants. However, KRBL benefits to an extent because of its strong brand presence.

Exposure to changes in trade policies and Government regulations – The company is exposed to the changes in the trade policies of key importing countries, which can impact export revenues. The company is also exposed to the changes in Government regulations such as ban on rice exports or change in the export duty on it. Nevertheless, as the company mainly deals in the basmati rice segment, production of which is surplus in India, exports are likely to continue in the near term. The company remains exposed to the risks associated with environmental regulations, non-compliance of which could adversely impact its operations. However, the company has been taking various measures on a regular basis, which mitigate such risks to an extent.

Vulnerability to foreign exchange and agro-climatic risks – As exports account for a sizeable portion of its turnover, the company remains exposed to foreign currency fluctuation risks. However, it has a hedging mechanism for reducing the impact of fluctuations in foreign exchange rates. KRBL is exposed to agro-climatic risks such as availability and quality of raw materials, which have a bearing on basmati rice prices.

Environmental and Social Risks

Environmental considerations: KRBL is heavily exposed to climate change risks as the supply of its key input, i.e., paddy depends on the monsoon. Besides, paddy is a water-intensive crop, which has adverse implications from the sustainability perspective of a critical natural resource. While these environmental factors naturally pose supply-side risks, the demand side risks are largely protected because rice is a staple food. However, focus on the development and cultivation of new paddy varieties that need less water could partially mitigate the environmental risks that KRBL remains exposed to. KRBL has been undertaking pilot projects with farmers for using new varieties, however, achieving scalability and durable success in these initiatives remain to be seen.

The byproducts generated by KRBL during the rice milling process like rice bran and paddy husk are also used appropriately. Rice bran is used to make edible oil, and paddy husk is used in the manufacturing of rice husk boards, silica gel and manufacturing of furfural. Soluble rice bran is also used as cattle feed. KRBL uses rice husk generated in its facilities to produce non-conventional power and any excess energy generated is sold to the Punjab State Electricity Board. Efficient usage of by-products allows KRBL to effectively manage its waste and support its profitability through such forward integration initiatives.

Social considerations: The exposure of rice mills to social risks is generally not material. However, rice mills like KRBL Limited depend on a large number of farmers, from whom paddy is procured. To ensure that all farmers harvest good quality grain, KRBL provides them with superior quality seeds. KRBL also provides them with adequate training on agricultural techniques to maximise produce, achieve optimal pesticide and fertiliser usage etc. KRBL ensures that farmers with whom it works are parts of its CSR activities too. Overall, ICRA considers that KRBL's exposure to social risks remains low.

Liquidity position: Strong

KRBL's liquidity position remains strong, supported by expectation of healthy cash flow from operations, free cash balances (~Rs. 100 crore as of November 30, 2024) and cushion available in the form of undrawn bank lines (around Rs. 1,775 crore as on November 30, 2024). The company has nil long term external debt repayments and no major debt-funded capex plans over the near term, which would continue to provide comfort to the company's liquidity. In line with the past trend, surplus accruals are likely to be deployed for funding the incremental working capital requirements.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company demonstrates a significant improvement in its revenue and profitability while maintaining strong liquidity and comfortable debt protection metrics on a sustained basis.

Negative factors – Pressure on the ratings could arise if there are any operational or financial challenges on account of the ongoing litigations against the company/promoters. Further, pressure on sales volumes or realisations, resulting in a considerable decline in cash accruals, or an elongation of the working capital cycle, leading to Total Debt/OPBDITA of more than 1.0 times on a sustained basis, could result in a downgrade of ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rice Mills
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, 2024, the company had three subsidiaries (including a step-down subsidiary; enlisted 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 mainly 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)

KRBL Consolidated	FY2023	FY2024	H1 FY2025*
Operating income	5,364.7	5,384.7	2,469.7
PAT	701.0	595.9	189.2
OPBDIT/OI	17.6%	14.9%	9.7%
PAT/OI	13.1%	11.1%	7.7%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	0.2
Total debt/OPBDIT (times)	0.3	0.7	0.5
Interest coverage (times)	64.2	33.3	42.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore; *Limited audit

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
			December 27, 2024	Feb 23, 2024	Nov 22, 2023	Feb 28, 2023	Nov 23, 2022	Nov 8, 2021	
1 Term Loans	Long-term	0.00	-	-	-	-	-	-	[ICRA] AA- (Stable)
2 Working Capital	Long-term	1,875.00	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA- (Stable)	[ICRA] AA- (Stable)
3 Unallocated	Long-term	125.00	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[ICRA] AA (Stable)	[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+	[ICRA] A1+
5 Unallocated	Short-term	74.00	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
6 Commercial Paper [^]	Short-term	500.00	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

[^]carved out of working capital limits and proposed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based limits – Working Capital	Simple
Long-term – Unallocated	Not Applicable
Short-term – Non-fund-based limits – LC / BG / Forward limit	Very Simple
Short-term – 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 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 – Working Capital	NA	NA	NA	1,875.00	[ICRA]AA(Stable)
NA	Long-term – Unallocated	NA	NA	NA	125.00	[ICRA]AA(Stable)
NA	Short-term – Non-fund-based limits – LC / BG / Forward limit	NA	NA	NA	145.00	[ICRA]A1+
NA	Short-term – Unallocated	NA	NA	NA	74.00	[ICRA]A1+
Yet to be placed	Commercial Paper^	NA	NA	NA	500.00	[ICRA]A1+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	KRBL 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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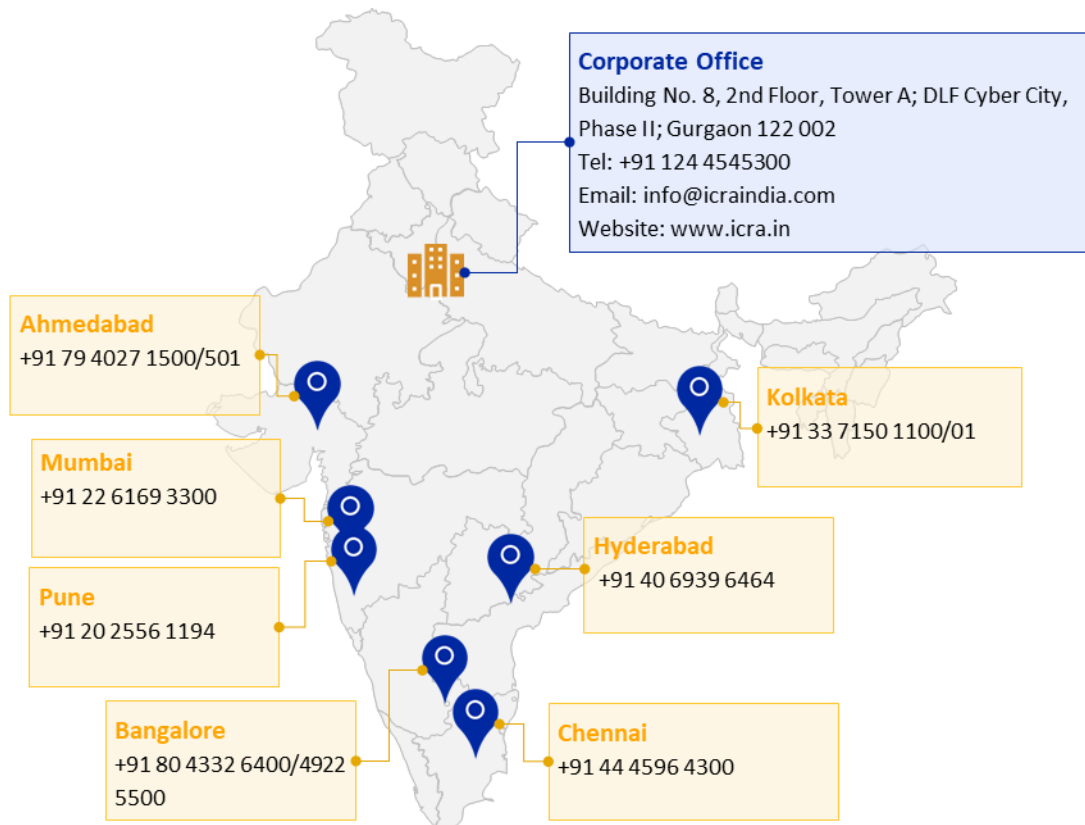
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