

May 26, 2022

Kohinoor Speciality Foods India Private Limited – Update on Entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund based working capital limit	225.0	225.0	[ICRA]A+(CE)(Stable)
Total	225.0	225.0	

Rating without Explicit Credit Enhancement

[ICRA]BBB-

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

On May 3, 2022, Adani Wilmar Limited (AWL) announced that it has signed an IP Assignment Agreement with McCormick Switzerland GmbH, for acquiring various domestic intellectual property rights, title and claims under the trademark, Kohinoor, and various other trademarks together with goodwill, subject to mutually agreed terms and conditions. The acquisition has transferred the exclusive rights over the brand, Kohinoor basmati rice, along with other spice range products portfolio under the Kohinoor brand umbrella in India, which were being used by Kohinoor Speciality Foods India Private Limited (KSF), to Adani Wilmar Limited.

The rating for KSF's bank facilities remains unchanged at [ICRA]A+(CE)(Stable) as the terms and applicability of the corporate guarantee provided by McCormick & Company, Incorporated (McCormick; Guarantor) for KSF's bank facilities, based on which the rating has been assigned, continue to be the same as earlier. While the guarantees are legally enforceable, unconditional and cover the entire amount and tenure of the rated facilities, they do not have a well-defined invocation and payment mechanism. Considering the same, ICRA has assigned a rating of [ICRA]A+(CE) (Stable) for the said facilities against an unsupported rating of [ICRA]BBB-. In case the credit profile of the Guarantor or the unsupported rating of KSF undergoes a change, the same could have a bearing on the rating of the aforesaid facility/instrument.

ICRA notes that the said transfer is likely to alter KSF's business and financial risk profiles, marking its exit from its largest, albeit loss-making segment of rice. KSF had been reporting losses at the operating as well as net levels in its key rice and ready-to-cook/ ready-to-eat (RTC/ RTE) segments, due to moderate scale of operations, lower absorption of fixed overheads and sub-optimal utilisation of its value-added product manufacturing capacities. Going forward, KSF would continue operating its IT and business support services segment wherein it provides services to its parent entity and other Group companies across the globe. Further, the company is working on a business plan for its exports and flavour solutions segment. It is expected that KSF would leverage McCormick's strong global presence and relations and would focus on exports to institutional/industrial clients in countries like the US, Australia etc. The company's export portfolio would include food items like RTC/RTE products, seasonings, spices etc., either under its own brand or under private labelling. Under the flavour solutions vertical, the company proposes to scale up its operations involving supply of seasonings, biryani paste, curry etc. to institutional clients like restaurants and quick service restaurants (QSRs) within India as well. Given that the plans are at nascent stages, ICRA will continue to monitor these developments and assess the impact of the same on the company's credit profile, if any.

ICRA also understands that the deal has not changed the strength of the linkages between the Guarantor and the rated entity and expects McCormick & Company to remain committed to reviving KSF's operations. Further, the Guarantor's reputation

sensitivity to a default by the rated entity remains and the entity is likely to remain strategically important for the Guarantor given its plans to scale up presence in the flavour solutions segment.

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

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support Rating Methodology for Issuers in the India Rice Industry
Parent/Group Support	Parent: McCormick & Company, Incorporated The unsupported rating factors in the high likelihood of its parent, McCormick, extending financial support because of the ownership structure and business linkages between the entities. McCormick has a track record of extending financial support to KSF and has extended unconditional and irrevocable corporate guarantees in favour of the banks that have sanctioned working capital facilities to KSF.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the Guarantor

McCormick is a US-based company that manufactures, markets and distributes spices, seasoning mixes, condiments and other flavouring products for the food industry. The company sells its products to food manufacturers and food service businesses, apart from retail outlets. The company sells products under a variety of brands, including McCormick, Frank's RedHot, French's, Lawry's, Cholula, and Zatarain's in the US, Ducros and Silvo in continental Europe, Club House and Billy Bee in Canada, McCormick, DaQiao and ChuShi Le in China, and Schwartz in the UK. For the year ended November 20, 2020, the company reported revenues of \$5.6 billion.

About the company

KSF sells basmati rice under the Kohinoor brand in India and has also launched spice range products (including spices, frozen foods, ready-to-eat products and sauces) in northern India. KSF's facility is in Sonipat, Haryana. In addition, the company has started providing IT and business support services to its ultimate holding company (McCormick & Company Inc., US) from FY2020. This segment was added pursuant to its merger with McCormick Support Services Private Limited (MSSPL, a fellow subsidiary), w.e.f. April 1, 2019.

Status of non-cooperation with previous CRA: Not applicable

Any other information: As the guarantee issued for bank facilities extended by Mizuho Bank is revocable, in the event that the Guarantor revokes or discontinues the guarantee, the captioned rating will not apply in respect of any incremental exposure taken by Mizuho Bank on the borrower, after the revocation or discontinuation notice is sent by the Guarantor. In that event, the rating on the facility will have to be reviewed.

Rating history for past three years

	Instrument	Type	Current Rating (FY2023)			Rating History for the Past 3 Years		
			Amount Rated	Amount Outstanding	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					May 26, 2022	Nov 30, 2021	Aug 07, 2020	Apr 22, 2019
1	Fund-based Working Capital Limit	Long Term	225.0	-	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(SO) (Stable)

Amount in Rs. crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund- based - Working Capital Facilities	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: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund-based working capital facilities	-	-	-	225.0	[ICRA]A+(CE) (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Jayanta Roy

+91 33 7150 1100

jayanta@icraindia.com

Kaushik Das

+91 33 7150 1104

kaushikd@icraindia.com

Nidhi Marwaha

+91 9818 455224

nidhim@icraindia.com

Devanshu Gupta

+91 9818 994824

devanshu.gupta@icraindia.com

RELATIONSHIP CONTACT

Mr. Jayanta Chatterjee

+91 80 4332 6401

jayantac@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, 2022 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.