

## Kribhco Infrastructure Limited

Instrument	Amount in Rs. Crore <sup>^</sup>	Rating Action
Term Loans	290	[ICRA]AA (SO) (Stable) assigned
Fund Based, Short Term Facilities	45	[ICRA]A1+ (SO) assigned
Non-Fund Based, Short-term Facilities	10	[ICRA]A1+ (SO) assigned

The rating of [ICRA]AA (SO) (pronounced ICRA double A S O) has been assigned for the Rs. 290 crore term loan facilities of Kribhco Infrastructure Limited (KRIL); the outlook on the long-term rating is Stable. The rating of [ICRA]A1+ (SO) (pronounced ICRA A one plus S O) has also been assigned for the Rs. 45 crore short-term fund based limits and Rs 10 crore short term non-fund based limits of Kribhco Infrastructure Limited (KRIL) <sup>†</sup>. The letters SO in parenthesis suffixed to the rating symbols stand for Structure Obligation. An SO rating is specific to the rated issue, its terms and structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. This rating is based on the corporate guarantee provided by Krishak Bharati Co-operative Limited (KRIBHCO) (rated [ICRA]AA(Stable) and [ICRA]A1+) for due payment of the captioned facility to the bank. In case the parent KRIBHCO decides to revoke or withdraw guarantee on the aforementioned facilities, the captioned rating for the aforementioned facilities will not apply. In that event the rating on the facility will have to be reviewed.

While assigning the rating, ICRA has taken into consideration the irrevocable and unconditional guarantee provided by KRIBHCO for Rs 345 crore bank facilities of KRIL. The rating addresses the servicing of the facilities to happen as per the terms of the underlying facilities and the guarantee arrangement and assumes that the guarantee will be duly invoked, as per the terms of the underlying facilities and guarantee agreements, in case there is a default in payment by the borrower.

KRIL, a wholly owned subsidiary of KRIBHCO and incorporated in April 2009, entered the multi-modal logistics business obtaining a Category-I licence from the ministry of railways for a payment of Rs 50 crore for operating Container Trains (Exim and Domestic) all over the country. KRIL has its own eight BLC (bogie low-height container) flat rakes and 1,350 containers. It is maintaining and operating a rail-linked terminal at Hazira, which commenced container train operations from railway siding of KRIBHCO in 2009-10 and has witnessed traffic from many leading companies. The company has also developed in-land container depots (ICDs) at various locations across India i.e. Rewari (Haryana), Hindaun (Rajasthan) and Modinagar (Uttar Pradesh). KRIL also holds 10% equity stake in Container Multimodal Terminal Ltd (CMTL) which operates an ICD at Thimmapur, Andhra Pradesh.

ICRA takes comfort from the strong parentage of Krishak Bharati Cooperative Limited (KRIBHCO) and takes a consolidated view of Kribhco group companies (KSFL(rated [ICRA]A1+) and KRIL) while assigning ratings for KRIBHCO due to the strategic nature of these investments and the corporate guarantees extended for their bank facilities by KRIBHCO. The ratings factor in KRIBHCO's established position as the third largest manufacturer and second largest marketer of urea in India with a ~12% market share, with strong brand recall due to its long track record of close to three decades, stable cash flow from urea operations and ownership by cooperatives, who are engaged in distribution of fertilisers, leading to an established pan-India market presence and reach to farmers. Despite the diversified ownership, KRIBHCO is professionally managed and has strong financial flexibility on account of large net worth and strength of its investments. The financial flexibility is manifested in the form of ability to raise funding at competitive rates for KRIBHCO and its subsidiaries. Besides, the fact that KRIBHCO's subsidy receivables from the Government of India (GoI) as of end-FY2016 exceed its debt levels provides comfort from the debt repayment perspective.

KRIBHCO benefits from access to urea from its Hazira plant, the Shahjahanpur plant of its subsidiary KSFL and imported urea from its joint venture Oman India Fertilizer Company SAOC (OMIFCO). Also, the competitive cost structure on account of the Hazira plant being depreciated and improvement in energy efficiency will protect margins against competition from imports in case of decontrol or in case of implementation of NBS, except in case of a steep increase in gas prices or further material decline in global

<sup>^</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

urea prices. On the other hand, the society has been getting healthy cash flows in the form of dividends from OMIFCO during the past few years. Although dividend income declined during FY2015 due to operational issues at the OMIFCO plant, it increased substantially in FY2016 as operational issues were resolved at the plant. The comfortable financial risk profile of the society is characterised by stable cash accruals and low long-term debt level although debt protection metrics remain modest. KRIBHCO's liquidity position has remained healthy due to moderate usage of working capital facilities and access to large bank limits.

The ratings also factor in the vulnerability of profitability to regulatory policies and agro-climatic conditions and sensitivity of cash flows to delays in subsidy receipts from the GoI, which has resulted in high debt levels and interest costs for KRIBHCO in recent years and impacted the capital structure and net profits to that extent. Due to change in policy related to production beyond the re-assessed capacity (RAC), production beyond RAC was profitable in FY2016 despite soft international urea prices. Any further material decline in urea prices and/or increase in gas prices could negatively impact profitability despite the revision in policy, although the impact would be relatively lower with the revised policy in place. Besides, KRIBHCO has high contingent liabilities, primarily on account of corporate guarantees for the debt of subsidiaries KSFL and Kribhco Infrastructure Limited (KRIL). Nevertheless, ICRA takes comfort from the fact that KSFL is engaged in manufacture of urea, which is marketed by KRIBHCO, and the Shahjahanpur plant of KSFL is one of the most energy efficient gas-based plants in the country with healthy capacity utilisation levels. KRIL's debt levels are relatively smaller vis-a-vis KRIBHCO's net worth.

### **Entity's Profile**

**Kribhco Infrastructure Limited** is a wholly owned subsidiary of Krishak Bharati Co-operative Limited (KRIBHCO). The company was incorporated in April 2009 and is engaged in the business of providing multi-modal logistics. At present the company operates a terminal at Hazira and in-land container depots (ICDs) at Rewari, Hindaun and Modinagar. The company also has 10% equity stake in Container Multi-Modal Terminal Ltd. (CMTL) which is operating one ICD at Thimmapur, Andhra Pradesh and plans to setup another ICD at Tuticorin. At its Hazira terminal, the company has 3 rake handling lines, 3 receptions and 2 dispatch line facilities along with full length platforms where it handles variety of commodities like Steel, Coal etc. Rewari (Haryana) and Modinagar (U.P.) both are situated in NCR. While Rewari terminal got its customs approval in mid FY2016, Modinagar terminal is expected to get approvals soon. Hindaun City is situated in Rajasthan and is mainly utilized for stone transport as of now.

During FY2016, KRIL made a net loss of Rs 19.1 crore on an operating income of Rs 115.4 crore while in FY2015 the company had made a net loss of Rs 13.1 crore on an operating income of Rs 114.9 crore.

### **Guarantor's Profile**

**Krishak Bharati Cooperative Limited** is a Cooperative incorporated under the Multi State Cooperative Societies Act. It was set up in 1980 by the Government of India. It is owned by various co-operative societies across India. The society manufactures urea, bio-fertilisers and seeds. KRIBHCO has a urea manufacturing plant at Hazira with a capacity of 1.73MMTPA with a capacity of 2.12 MMTPA post de-bottlenecking. Besides urea, the cooperative also manufactures and trades in fertilisers, seeds and other agri-inputs (such as bio-fertilisers) and chemicals (such as ammonia). KRIBHCO has ownership interests in various ventures- KSFL (100% ownership) involved in Urea production, KRIL (100% ownership) involved in multi-modal logistic business, OMIFCO (25% ownership in a JV involving IFFCO and Oman India Fertiliser Company SAOC) manufacturing urea and GSEG (27.9% ownership) operating a 156 MW gas based power plant in Surat, Gujarat.

In FY2016, the net profit for the co-operative was Rs. 188 crore on an operating income of Rs. 7361 crore against net profit of Rs. 24 crore on an operating income of Rs. 5,678 crore in FY2015.

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