

May 30, 2017

## KRIBHCO Infrastructure Limited

Instrument	Amount in Rs. Crore <sup>1^</sup>	Rating Action
NCDs	125.0	[ICRA]AA(SO) (Stable) Assigned
Commercial Paper	45.0	[ICRA]A1+(SO) outstanding
Term Loans	290.0	[ICRA]AA(SO)(Stable) outstanding
Fund Based Short Term Facilities	45.0	[ICRA]A1+(SO) outstanding
Non Fund Based Short Term Facilities	10.0	[ICRA]A1+(SO) outstanding

\*Instrument details provided in Annexure-1

**Rating Action:** Rating of [ICRA]AA(SO) (pronounced ICRA double A (Structured Obligation)) has been assigned to the proposed Rs. 125 crore NCD programme of Kribhco Infrastructure Limited (KRIL). The outlook on the long term rating is Stable<sup>2†</sup>. The letters SO in parenthesis suffixed to the rating symbols stand for Structure Obligation. The NCD programme is backed by an unconditional and irrevocable corporate guarantee issued by the parent Krishak Bharati Cooperative Limited (KRIBHCO). 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.

**Rationale:** The rating of the NCD programme is based on the strength of an unconditional, irrevocable and continuing corporate guarantee provided by Krishak Bharati Co-operative Limited (KRIBHCO) (rated [ICRA]AA(Stable) and [ICRA]A1+). The rating also factors the payment mechanism designed to ensure timely payment on the rated NCDs, as per the terms of the transaction. ICRA also has a rating outstanding of [ICRA]AA(SO) (pronounced ICRA double A Structured Obligation) and [ICRA]A1+(SO) (Pronounced ICRA A one plus Structured Obligation) for Rs 345 crore bank lines of KRIL and [ICRA]A1+(SO) (Pronounced ICRA A One Plus Structured Obligation) for the Rs 45 crore commercial paper programme of KRIL.

Scheduled maturity date of the NCDs would be 30<sup>th</sup> April 2020. The NCDs would be redeemed in one bullet instalment on the scheduled maturity date. Coupon amount would be payable on the NCDs on a quarterly basis. The Corporate Guarantee from KRIBHCO would cover all Issuer obligations that may arise on the rated NCDs, as per the terms of the transaction. The payment mechanism is designed to ensure timely payment to the NCD investors even if the corporate guarantee has to be invoked by the debenture trustee.

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 (rated [ICRA]AA(SO) (Stable)/A1+(SO)) 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

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

<sup>2†</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

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.

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 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.

#### **Key Rating Drivers**

- Unconditional and irrevocable corporate guarantee provided by KRIBHCO
- Payment mechanism designed to ensure timely payment to the investors
- KRIBHCO holds 100% ownership in Kribhco Infrastructure Limited (KRIL)

#### **Description of key rating drivers**

The NCD issue will be backed by an irrevocable and unconditional corporate guarantee provided by the parent KRIBHCO. The entire issue will be redeemed on April 30<sup>th</sup>, 2020 and interest payments will be made quarterly. Payment mechanism has been designed to ensure that the investors will get timely payments even if the corporate guarantee has to be invoked.

**Status of non-cooperation:** Not Applicable

**Analytical Approach:** For arriving at the ratings ICRA has considered the irrevocable and unconditional corporate guarantee provided by the parent Krishak Bharati Cooperative Limited (KRIBHCO).

**Links to applicable criteria:** Approach for rating debt instruments backed by third-party explicit support.



### 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 FY2017, KRIL made a net loss of Rs 27.2 crore on an operating income of Rs 96.8 crore while in FY2016 the company had made a net loss of Rs 19.1 crore on an operating income of Rs 115.6 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 FY2017, the net profit for the co-operative was Rs. 121.5 crore on an operating income of Rs.6680 crore against net profit of Rs. 188 crore on an operating income of Rs.7,361 crore in FY2016.

**Status of Non-Cooperation:** Not Applicable

**Rating history of Last 3 years**

S No.	Name of Instrument	Current Rating			Chronology of Rating History for past 3 years			
		Type	Rated Amount (Rs Crore)	Month Year & Rating	Month Year & Rating FY2018	Month Year & Rating FY2017		
				May 2017	April 2017	December 2016	September 2016	June 2016
1	Term Loans	Long Term	290.0	[ICRA]AA (SO) (Stable)	-	-	-	[ICRA]AA (SO) (Stable)
2	Fund Based Limits	Short Term	45.0	[ICRA]A1+ (SO)	-	-	-	[ICRA]A1+ (SO)
3	Non Fund Based	Short Term	10.0	[ICRA]A1+ (SO)	-	-	-	[ICRA]A1+ (SO)
4	Commercial Paper	Short Term	25.0	[ICRA]A1+ (SO)	-	-	[ICRA]A1+ (SO)	-
5	Commercial Paper	Short Term	20.0	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	-	-
6	NCD	Long Term	125.0	[ICRA]AA (SO) (Stable) Assigned	-	-	-	-

**Complexity level of the rated instrument:** 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](http://www.icra.in).

**Annexure-1**

Name of Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs crore)	Current Rating & Outlook
NCD	-	-	8.15%	April 30, 2020	125.00	[ICRA]AA(SO)(Stable)
Commercial Paper	INE961V14030	January 17, 2017	7.48%	June 15, 2017	25.00	[ICRA]A1+(SO)
Commercial Paper	INE961V14048	April 12, 2017	6.90%	June 29, 2017	20.00	[ICRA]A1+(SO)
Term Loan-1	-	July 2015	-	July 2020	50.00	[ICRA]AA(SO)(Stable)
Term Loan-2	-	June 2016	-	June 2021	30.00	[ICRA]AA(SO)(Stable)
Term Loan-3	-	September 2015	-	September 2025	200.00	[ICRA]AA(SO)(Stable)
Fund Based, Short Term	-	-	-	-	45.00	[ICRA]A1+(SO)
Non fund Based, Short Term	-	-	-	-	10.00	[ICRA]A1+(SO)

*For further details please contact:*

Analyst Contacts

**Mr. K.Ravichandran** (Tel No +91-44-4596-4301)  
[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Mr. Vibhor Mittal** (Tel no +91-22-6114-3440)  
[vibhorm@icraindia.com](mailto:vibhorm@icraindia.com)

**Mr. Anoop Bhatia** (Tel No +91-124-4545315)  
[anoopb@icraindia.com](mailto:anoopb@icraindia.com)

**Mr. Varun Gogia** (Tel No +91-124-4545373)  
[varun.gogia@icraindia.com](mailto:varun.gogia@icraindia.com)

Relationship Contacts

**Mr. L Shivakumar** (Tel. No. +91-22-6114-3406)  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500