July 21, 2017

Kribhco Infrastructure Limited

Rating

Instrument	**Amount in Rs. Crore^**	**Rating Action**
Term Loans	175.5 (reduced from Rs 290 crore)	[ICRA]AA (SO) (Stable) reaffirmed*
Fund Based, Short Term Facilities	45	[ICRA]A1+ (SO) reaffirmed*
Non-Fund Based, Short-term Facilities	10	[ICRA]A1+ (SO) reaffirmed*
Non-fund based, Stand by letter of credit	45	[ICRA]A1+(S) reassigned from [ICRA]AA(SO) (Stable)#
Non-convertible debenture	125	[ICRA]AA(SO) outstanding
Commercial Paper Programme	45	[ICRA]A1+(SO) outstanding

**The rated instrument does not involve a structured payment mechanism*
 # To denote ratings assigned to entities based on Letter of Comfort from a third-party, ICRA uses (S) suffix in place of the (SO) suffix. Please refer to ICRA's website for more details.
Instrument details in Annexure-1.

Rating action: ICRA has reaffirmed the ratings of [ICRA]AA(SO) (pronounced ICRA double A (Structured Obligation)) for the Rs 175.5 crore term loans (reduced from Rs. 290 crore earlier) of Kribhco Infrastructure Limited (KRIL). ICRA has also reaffirmed the rating of [ICRA]A1+(SO) (pronounced ICRA A one plus (Structured Obligation)) for Rs. 45 crore short-term fund based limits and Rs 10 crore short term non-fund based limits of Kribhco Infrastructure Limited (KRIL). ICRA has reassigned to [ICRA]A1+(S) from [ICRA]AA(SO) (Stable) to Rs 45 crore Stand by letter of credit (SBLC) of KRIL.† 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. ICRA also has a rating outstanding for the Rs 125 crore NCD programme backed by corporate guarantee from KRIBHCO and Rs 45 crore commercial paper programme of KRIL backed by a stand-by letter of credit.

Rationale

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.

While assigning the rating, ICRA has taken into consideration the irrevocable and unconditional guarantee provided by KRIBHCO for Rs 230.5 crore bank facilities and a letter of comfort t provided for Rs 45 crore Non-fund based facility (SBLC) 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.

^ 100 lakh = 1 crore = 10 million
† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

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 (KRIBHCO Fertilizers Limited-KFL(rated [ICRA]AA(SO)/[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 the society's established track record of nearly three decades, being the third largest urea manufacturer and second largest marketer with ~9% market share, stable cash flow from urea operations, healthy operating efficiencies of the Hazira plant 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, the society 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 the society and its subsidiaries.

The society 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). The society's Hazira plant also remains competitive against urea imports leading to production beyond the re-assessed capacity (RAC) on account of high energy and operational efficiency. In-line with low pooled gas prices during FY2017 and improvement in energy efficiency, production beyond RAC remained profitable during FY2017 despite international urea prices remaining under pressure. Besides, dividends from OMIFCO have been a steady source of cash flow for the society over past few years. However, dividend income declined in FY2017 in-line with expectations while the exceptionally high dividend in FY2016 was paid out from the reserves of OMIFCO which had been built over the years. The comfortable financial risk profile of the society is characterised by stable cash accruals. The society'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 the cooperative in recent years and adversely impacted the capital structure and debt protection metrics. Energy savings that the society earns by being more efficient than its pre-set norms adds significantly to its operating profitability. However, going forward the profitability of the society is expected to be adversely affected from FY2019 onward when new norms under NUP-2015 will result in lower energy savings. The capital investment to achieve new energy consumption norm may not be remunerative for the society but will have to be incurred to meet the regulatory requirement. Besides, KRIBHCO has high contingent liabilities, primarily on account of corporate guarantees for the debt of subsidiaries KFL and Kribhco Infrastructure Limited (KRIL). Nevertheless, ICRA takes comfort from the fact that KFL is engaged in manufacture of urea, which is marketed by KRIBHCO. Though the utilisation levels and energy efficiency levels have deteriorated for KFL over last two years (FY2016 & FY2017) due to few un-planned shutdowns and the performance of KFL is expected to remain subdued in the near to medium term. KRIL's debt levels are relatively smaller vis-a-vis KRIBHCO's net worth.

Key rating drivers
Credit Strengths

- Strong parentage being a wholly owned subsidiary of KRIBHCO (rated at [ICRA]AA (Stable) and [ICRA]A1+)
- Unconditional and irrevocable corporate guarantee provided by the parent, KRIBHCO, for all bank facilities and NCDs
- Proximity of KRIL's Hazira terminal to Adani Hazira Port and connectivity with rail link; there is no direct rail connectivity to Adani Hazira port
- Recent EXIM notification for Modinagar terminal expected to result in higher cargo flow
- License with Indian Railways for container rail movement on railway tracks and eight owned rakes

Credit weaknesses

- KRIL still being in stabilisation mode with weak standalone cash flows; therefore reliant on parent company for debt servicing
- Challenging operating environment in the recent past and near term outlook is subdued due to slowdown in global trade and thereby international cargo
- Increased competition in the container train business from road transporters considering lower diesel prices; anticipated thrust on coastal shipping by the GoI to pose more challenges
- High capital intensity and moderately long gestation period associated with the ICD business; risk of time over-runs due to delays in land acquisition and approval process besides other project risks

Description of key rating drivers
KRIBHCO has provided irrevocable and unconditional corporate guarantee and a letter of comfort backing the bank lines of KRIL along with a comfort letter backing the Rs. 45 crore Non-fund based limit (Stand by letter of Credit).

Status of non-cooperation: Not Applicable

Key financial indicators:

	FY16	**FY17**
Operating income (Crores)	115	96
PAT (Crores)	-19	-27
OPBDIT/ OI (%)	17.1%	8.7%
RoCE (%)	0.4%	-2.2%
Total Debt/ TNW (times)	2.29	3.54
Total Debt/ OPBDIT (times)	16.02	41.02
Interest coverage (times)	0.67	0.27
NWC/ OI (%)	2.5%	1.1%

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: Corporate credit rating methodology

About the company

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 has recently received EXIM approvals and is expected to start EXIM operations 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 96.1 crore while in FY2016 the company had made a net loss of Rs 19.1 crore on an operating income of Rs 115.4 crore.

About the guarantor

Krishak Bharati Cooperative Limited (KRIBHCO) 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 of the society was Rs 121 crore on an operating income of Rs 6600 crore as against the net profit of Rs 188 crore on an operating income of Rs. 7361 in FY2016.

Status of Non-Cooperation: Not Applicable

Any other information: Not applicable

Rating history of Last 3 years

S No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for past 3 years					
		Type	Rated Amount (Rs. Crore)	Month Year & Rating	Month Year & Rating FY2018			Month Year & Rating FY2017		
				July 2017	June 2017	May 2017	April 2017	December 2016	September 2016	June 2016
1	Term Loans	Long Term	175.5	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)	[ICRA]AA (SO) (Stable)
2	Fund Based Limits	Short Term	45.0	[ICRA]A1+(SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)
3	Non Fund Based	Short Term	10.0	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)
	Non-fund Based	Short Term	45.0	[ICRA]A1+(S) Re-assigned from [ICRA]AA(SO) (Stable)	-	-	-	-	-	-
4	Commercial Paper	Short Term	25.0	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	-
5	Commercial Paper	Short Term	20.0	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	-	-
6	NCD	Long Term	125.0	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[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.

Annexure-1

Instrument Details

Name of Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs crore)	Current Rating & Outlook
NCD	INE961V08016	09.06.2017	8.15%	April 30, 2020	125.00	[ICRA]AA(SO)(Stable)
Commercial Paper	INE961V14055	15.06.2017	7.00%	14.09.2017	25.00	[ICRA]A1+(SO)
Term Loan-1	-	July 2015	-	July 2020	30.00	[ICRA]AA(SO)(Stable)
Term Loan-2	-	June 2016	-	June 2021	25.5	[ICRA]AA(SO)(Stable)
Term Loan-3	-	September 2015	-	September 2025	120.00	[ICRA]AA(SO)(Stable)
Fund Based, Short Term	-	-	-	-	45.00	[ICRA]A1+(SO)
Non fund Based, Short Term	-	-	-	-	10.00	[ICRA]A1+(SO)
Non fund based, Short Term	-	-	-	-	45.00	[ICRA]A1+(S)

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About ICRA Limited:

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