



KRBL Limited

	Amount	Rating Action
Instrument	(Rs. Crore)	September 2015
Term loan (earlier – Rs. 370.67 crore)	318.31	Reaffirmed at [ICRA]AA- stable
Fund based limits	1575.00	Reaffirmed at [ICRA]AA- stable
Non fund based limits	90.00	Reaffirmed at [ICRA]A1+
Commercial Paper	150.00	Reaffirmed at [ICRA]A1+

ICRA has reaffirmed the long term rating at [ICRA]AA- (pronounced as ICRA double A minus) for Rs. 318.31 crore* term loans (earlier Rs. 370.67 crore) and Rs. 1,575.00 crore fund based working capital facilities of KRBL Limited (KRBL)[†]. The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating at [ICRA]A1+ (pronounced as ICRA A one plus) for Rs. 90.0 crore non-fund based limits and Rs. 150 crore commercial paper programme of the company.

The rating reaffirmation takes into consideration KRBL's established position in the basmati rice industry which has helped the company register healthy growth in its turnover and improvement in its profitability over last few years driven by strong demand and high prices. The company has reported revenue growth of around 9% in FY2015 driven by increase in both volume and realizations. During FY2015, the growth in exports was driven by higher realizations whereas the volumes sold were largely similar as that in FY2014; and in the domestic market company reported healthy increase in volumes sold along with moderate increase in realizations.

During FY2015 the paddy prices declined significantly because of increased supply and subdued international demand in the industry given ban on import of rice by Iran (largest buyer of Indian basmati rice in FY2014). Given such scenario KRBL increased its inventory acquisition and purchased sizeable paddy in anticipation of strong export orders and rising domestic demand. Selling such huge inventory in current year may become challenging for the company; however, its strong brand image and established relationship with buyers mitigate the risk to an extent. Given low paddy prices in FY15 the average rice realization in FY16 are expected to decline, however it is not expected to materially impact its profitability.

With healthy internal accruals generation, KRBL's net worth has registered healthy growth, and this has led to decline in its gearing to 1.02 times as on March 31, 2015 from 1.3 times as on March 31, 2014. Further, healthy accrual generation has led to strong debt coverage indicators such as interest coverage of 6.1 times and Net Cash Accrual/Total Debt of 25% in FY2015. Increasingly, the company has been able to fund its working capital requirements by its net-worth thereby moderating dependence on bank-funding, as also highlighted by sufficient cushion in utilization of the working capital limits against the drawing power.

Apart from above, the ratings continue to derive comfort from KRBL's experienced management and its long track record in the basmati rice industry. KRBL is a leading exporter of basmati rice from India and has a strong market share in the branded basmati rice sales in both domestic and export markets. Further the company has been regularly investing in creating additional infrastructure at its facilities (especially its plant at Dhuri, Punjab) which has helped in increasing capacity utilization, operational efficiencies and increased production of value additive byproducts. The ratings also continue to reflect KRBL's healthy financial profile marked by healthy debt protection indicators and limited debt repayment obligations in near future. Further, the ratings derive strength from company's strategic programmes like contract farming and seed development programme to ensure availability of quality paddy. The ratings also favourably factor in the company's expansion into renewable energy

* 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



generation which has helped the company become self sufficient to largely meet its energy needs and has provided additional stream of revenues for the company.

However, the basmati rice industry is characterized by high working capital intensity as all the players, including KRBL, are required to keep sizeable stock of inventory given the seasonality in the availability of basmati paddy (October to December). The inventory requirements are further accentuated by the need to 'age' the rice by storing it for a period of time, as the ageing improves the quality of rice and attract premium pricing. Thus the working capital requirements of the business remain high.

The ratings also take into consideration the intensely competitive nature of the rice industry, moderate capacity utilization of KRBL's Dhuri plant, and relatively high gearing levels with respect to the rating category. The ratings also factor in the inventory price risk associated with carrying sizeable quantity of inventory. Further the company is exposed to agro climatic risks impacting the availability and quality of paddy and hence its pricing.

Going forward ICRA expects the profitability of the company to remain robust and with limited debt repayment obligation, debt coverage indicators of the company to remain comfortable.

About the company

KRBL Limited was promoted 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 with a downstream product chain including by-products like rice bran oil, de-oiled cakes and furfural fuel additive. KRBL deals in basmati as well as non-basmati varieties. Nevertheless, its main focus area is milling of basmati rice, which is a more lucrative segment in the global rice industry.

KRBL is a fully integrated rice company with experience of more than 25 years in the rice industry. Basmati is the mainstay of the business. In the global rice industry, basmati is the more lucrative segment because of low competition (India & Pakistan are the only players, with Indian Basmati being superior in quality), higher realization, increasing domestic and export demand and low government regulation.

Recent Results

During FY2015, on consolidated basis, the company has reported sales of Rs. 3,161 crore and net profit of Rs. 322 crore as against total sales of Rs. 2911 crore and net profit of Rs. 255 crore in FY2014.

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