K.C. (India) Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	**As of December 2016**
Long term Fund based limits	13.00	[ICRA]BB+(Stable)*; assigned*
Short term Fund based limits	67.00	[ICRA]A4+*; assigned*
Total	**80.00**	

ICRA has assigned its long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs 13.00-crore[1] long-term fund-based bank limits of K.C. (India) Limited (KCIL)[2]. It has also assigned the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) to the Rs 67.00-crore short-term fund-based limits of KCIL. The outlook on the long-term rating is 'Stable'.

ICRA's ratings take into account the established position and experience of KCIL's promoters in the guar gum industry and its diversified product and client profile; the company offers customised products to companies across different industries. The capacity utilisation rate has been high (~80%) over the last three years, despite significant reduction in demand from the shale gas industry during this period. The company also benefits from its proximity to raw material supplies as its plant is located in Rajasthan. Furthermore, the procurement is primarily order-backed, which limits raw material price risk. The ratings positively factor in the company's comfortable capital structure, with a gearing of 1.06x as on March 31, 2016, and its debt protection metrics as reflected in the OPBDITA[3]/Interest ratio of 2.52 times and DSCR[4] of 2.24 times in FY2016.

The ratings are, however, constrained by the weak demand outlook. The fall in prices of guar gum has resulted in volatile operating performance over the last five years. Though the company has been able to improve its operating margins on the back of its value-added product mix, net margins have remained weak in FY2015 and FY2016 owing to high interest outflow. Moreover, the company's working capital intensity grew sharply from NWC/OI[5] ratio of 11.2% in FY2014 to 22.8% in FY2015 to 40.9% in FY2016 due to the increase in stock, receivable period, and advances extended to suppliers. KCIL's working capital limits have been highly utilised over the last few months. ICRA, however, is of the opinion that the working capital cycle would moderate to some extent as the bulk order received in FY2016 will be delivered in the next few months. The ratings are further constrained by the fragmented industry structure and the high industry competition; however, KCIL's diversified product profile with established brand name and customised products provides an edge over its competitors. ICRA's ratings also reflect the agro climatic risks related to guar production.

KCIL's ability to scale up its operations and profitability and reduce its working capital cycle will be the key rating sensitivity.

About the Company

KCIL, an ISO 9001:2008 certified closely-held public limited company, was incorporated in 1995. Promoted by the Jaisansaria family, it processes of guar gum powder (both industrial grade and food grade) and guar gum refined splits. The company also manufactures and markets guar gum powder, fast hydrating guar, guar refined splits, guar meal and guar derivatives. All the products of the company are GMP, Kosher, Halal and ISO 22000:2005 certified. KCIL's manufacturing plant is located at Sardarshahar in Rajasthan and has an installed capacity of producing 12,500 MTPA of guar gum powder. Guar gum/ splits finds applications in varied industries such as oil drilling, gas explorations, dairy products, food items, bakery, pharmaceuticals, textiles, paper, and construction.

---

1 100 lakh = 1 crore = 10 million
2 For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.
3 OPBDITA- Operating Profit before depreciation, interest, taxes and amortisation
4 DSCR-Debt Service Coverage ratio
5 NWC/OI- Net working capital to operating income

In FY2013, KCIL diversified into the renewable energy business by setting up a 3-MW solar power plant at Bikaner in Kolayat, which commenced operations on March 31, 2013. In FY2014, the company again set up another 2-MW solar power plant in the same area, which commenced operations on September 30, 2013. The entire power generated by both the plants (both 3 MW and 2 MW) is sold to Jodhpur Vidyut Vitran Nigam Ltd. (JdVVNL) as per the respective power-purchase agreements signed on March 12, 2013 and September 25, 2013 by KCIL and JdVVNL. Both the solar power plants are operated by Rays Power Experts Pvt. Ltd.

Recent Results

In FY2016, KCIL reported an operating income (OI) of Rs 224.82 crore and a profit after tax (PAT) of Rs 2.11 crore, as compared to an OI of Rs 307.23 crore and a PAT of Rs. 0.95 crore in FY2015. The company, on a provisional basis, reported an operating income of Rs 104.8 crore and a PAT of Rs 1.62 crore in 7M FY2017.

December 2016

For further details please contact:

Analyst Contacts
Sabyasachi Majumdar (Tel. No.+0124-4545 304)
sabyasachi@icraindia.com

Manish Ballabh (Tel. No+0124-4545 812)
manish.ballabh@icraindia.com

Sheetal Sharad (Tel. No. +0124-4545 374)
sheetal.sharad@icraindia.com

Shiffali Garg (Tel. No. +0124- 4545 868)
shiffali.garg@icraindia.com

Relationship Contact
Jayanta Chatterjee (Tel. No. +91 80 4332 6401)
jayantac@icraindia.com

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

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