

Press Release

KLA India Public Limited

September 17, 2020

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	20.57	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short term Bank Facilities	10.43*	IVR A3 (IVR A Three)	Assigned
Total	31.00 (Thirty- One Crore)		

**Facilities of Rs. 5.00 crore are on proposed basis*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of KLA India Public Limited (KIPL) derives comfort from long track record of operations in food grain industry, location advantage marked by the abundance availability of raw material in the region, marketing and selling through diversified channels and comfortable capital structure. These rating strengths are partially offset by average financial risk profile, vulnerability to agro-climatic risks, exposure to changes in trade policies and exposure to foreign exchange risk.

Key Rating Sensitivities

Upward factors

- Significant and sustained growth in scale of business with significant improvement in profitability metrics thereby leading to overall improvement in cash accruals

Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action

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- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements could trigger the negative rating action

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations in food grain industry

KLA group, incorporated by Mr. Kundan Lal Agarwal in year 2002, having vast experience of over four decades in food grain industry mainly into rice industry backed by the inherited family business of trading of food grains. Promoters and family is engaged into trading of food grain since 1975, started with the trading of rice in domestic market. Later on, expanded the presence in the international market thorough exports of rice in year 1995. Further, having established relationship with suppliers in the food industry in the international market, company expanded into frozen food segment through incorporation of KLA foods India Limited.

Location advantage marked by the abundance availability of raw material in the region

KLA group's plant is located in Rudrapur, Uttarakhand enriched with the natural resources. KFIL procures the raw material from the local market of Rudrapur and nearby areas. Being in the region with the rich natural resources and favorable climatic conditions for vegetation, KFIL also engages with farmers in end-to-end process from seeding to cultivation of crops leading to quality control of the vegetables. KIPL have the reputed client base based out of Singapore and Europe having clients across the globe.

Marketing and Selling through diversified channels

KLA group derives its revenues majorly though exports backed by the established relationship with international buyers and suppliers having strong distribution network across the globe. KLA group sells its products in domestic market through wholesale dealers based out of respective states, company also has its own retail outlets in Rudrapur to meet demand of local people.

Comfortable capital structure

The company capital structure comprised of working capital limits and unsecured loans infused by promoters and relatives not-subordinated with bank facilities. Overall gearing for the company stood

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comfortable at 0.39x as on March 31, 2020 reflecting comfortable capital structure and also reflects cushion to borrow working capital requirements. Total indebtedness reflected by TOL/ANW stood at 0.56x as on March 31, 2020 imparting comfort towards promoters' stake in the company. Further, regular infusion in the equity by promoters imparts comforts towards promoter's intent to support the company.

Key Weaknesses

Average financial risk profile

KLA group has reported moderate scale of operations at Rs. 410.26 crore with the PAT margin of Rs. 0.47% in FY19. However, due to weak market demand sales reduced to Rs. 326.26 crore in FY20. Company has prepaid the term loan of around Rs. 5 crore in FY20 and to meet out the shortfall, the promoters had infused equity of Rs 3.00 crores by way of preferential shares., Also company has reported satisfactory performance with total revenue at Rs.175 crore in 5 months of FY21 reflecting the likelihood to achieve the projected income. Further, group has reported fall in EBITDA margin in FY20 to 1.56% from 1.85% in FY19. All these mentioned factors reflect average financial risk profile for the group.

Vulnerability to agro-climatic risks

As rice and vegetable both are agricultural commodity, the company is exposed to agro-climatic risks. There is risk of adequate availability of vegetables as the vegetable quality is prone to erratic weather conditions (such as drought, pest attack, heavy rainfall, delay in monsoon, etc.).

Exposure to changes in trade policies

The company is exposed to changes in the trade policies of key importing countries, which can impact the export revenues. The tightening of pesticide residue parameters and other quality check parameters might lead to a decline in exports.

Exposure to foreign exchange risk

As exports constitute a significant percentage of the turnover, the company remains exposed to currency fluctuations to the extent of unhedged exposure. However, company enters into forward

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contract to hedge its currency exposure to minimize the impact of fluctuation in foreign exchange rates. KFIL has reported unhedged position of forex exposure as nil as on March 31, 2020.

Analytical Approach: For arriving at the ratings, INFOMERICS analytical team has combined the financials of KLA India Public Limited and KLA Foods India Limited (rated IVR BBB-/ Negative outlook as on June03, 2020) and commonly referred as KLA group as these companies have a common management team and operational and financial linkages.

Applicable Criteria:

Rating Methodology for Trading/Manufacturing Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by the adequate expected gross cash accruals from operations to meet the debt obligations. KIPL has prepaid the term loan of around Rs. 5.00 crore in FY20 to reduce the debt obligation to minimal level which will be fully repaid in the current year. Further, group has reported average utilization of working capital limits at around 72% for last 12 months ended at July-20 indicating cushion to meet additional requirements. KIPL has adequate current ratio of 2.29x as on March 31, 2020 to meet the near-term liabilities.

About the Company

KLA group incorporated by Kundan Lal Agarwal is engaged into rice trading since 1975. KLA India Public Limited incorporated in 2002 is engaged into exports of basmati rice to various countries across the globe. KIPL has rice milling plant in Uttarakhand with the annual capacity of 50000MT per annum having state of the art facility equipped with the imported rice processing machines from Japan.

Incorporated in year 2006, KLA Foods India Limited, has set up a plant in Rudrapur, Uttarakhand equipped with Swedish IQF technology with the systems built by Kirloskar and Kirby. KFIL is engaged into processing and trading of frozen vegetables and trading and export of rice.

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Financials (Consolidated):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	411.05	326.85
EBITDA	7.11	6.03
PAT	1.93	1.62
Total Debt	40.44	27.00
Tangible Net worth	45.67	54.44
EBITDA Margin (%)	1.73	1.85
PAT Margin (%)	0.47	0.50
Overall Gearing Ratio (x)	0.89	0.50

*Classification as per Infomerics' standards

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	232.85	150.59
EBITDA	4.14	3.02
PAT	0.94	0.50
Total Debt	23.32	15.27
Tangible Net worth	31.43	38.94
EBITDA Margin (%)	1.78	2.01
PAT Margin (%)	0.41	0.33
Overall Gearing Ratio (x)	0.74	0.39

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	15.00	IVR BBB- / Stable	-	-	-
2.	Term loan	Long Term	1.34	IVR BBB- / Stable	-	-	-
3.	CCEL/GECL	Long Term	4.23	IVR BBB- / Stable			
4.	LC/BG	Short Term	8.13*	IVR A3	-	-	-
5.	CEL	Short Term	2.30	IVR A3			

**Facilities of Rs. 5.00 crore are on proposed basis*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio.

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Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	15.00	IVR BBB- / Stable
Long Term Bank Facilities- Term loan	-	-	December, 2022	1.34	IVR BBB- / Stable
Long Term Bank Facilities- CCEL/GECL	-	-	-	4.23	IVR BBB- / Stable
Short Term Bank Facilities- LC/BG	-	-	-	8.13*	IVR A3
Short Term Bank Facilities- CEL	-	-	-	2.30	IVR A3

*Facilities of Rs. 5.00 crore are on proposed basis