



## Press Release

### Karnal Food Pack Cluster Limited [KFPCL]

May 20, 2020

#### Rating

Facilities	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action
Long Term – Term Loan	8.00	IVR BB+/ Stable Outlook; (IVR Double B Plus with Stable Outlook)	IVR BBB-/ Stable Outlook; (IVR Triple B Minus with Stable Outlook)	Revised
<b>Total</b>	<b>8.00</b> <b>(Eight Crore)</b>			

**Details of facilities are in Annexure 1**

#### **Rating Rationale**

The aforesaid ratings continue to derive comfort from its experienced and resourceful promoters, receipt of regulatory approvals, equity infusion and tie up of debt, comfortable capital structure and locational advantage of the food park. However, the revision in the ratings reflect delay in commencement of operation, project execution risk, off take risk, susceptibility to fluctuation in raw material prices and government policies, competitive and fragmented food processing industry.

#### **Key Rating Sensitivities:**

##### ➤ **Upward Rating Factor**

Commencement of operation as per the revised schedule and generation of cash flows as expected.

##### ➤ **Downward Rating Factor**

Any further delay in commencement of operation.



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### Detailed Description of Key Rating Drivers

#### **Key Rating Strengths**

##### ***Experienced and resourceful promoters***

KFPCL is majorly promoted by members of the Bharti family, Mr. Vinay Taneja, and Mr. Virender Dhingra. The promoters have prior experience in the food processing and packaging industry through their group companies. KFPCL has acquired land measuring 12.06 acres on a 99-year lease and also taken its possession. Final approval by the Ministry of Food Processing Industries (MoFPI) was received in June 2018. All regulatory approvals are in place and statutory clearances from the pollution control board, forest dept. and district town planning departments, etc. have also been received.

##### ***Equity infusion and tie-up of debt***

The net worth of the company has increased from INR18.34 crore as on 31st March 2019 to INR22.36 Crore (as on March 31, 2020, provisional), primarily on account of a government grant of INR3.40 Crore. The repayment of the term loan will start from June-2020. Though, KFPCL has submitted a proposal for COD extension for 1 year which is yet to be approved by the lender Corporation Bank. If this will be approved, then the repayment will also be extended by a year i.e. June-2021.

##### ***Comfortable capital structure***

Post completion, the capital structure for the company is expected to remain comfortable with a debt-equity ratio (excluding the govt. grant) of 0.53:1

##### ***Locational advantages***

The food park has easy connectivity by rail and road. Also the site is in the heart of agricultural hinterland of Karnal (Haryana) and surrounded by many villages which are rich in terms of agricultural productivity. These villages will serve as catchment areas for procurement of raw materials for the central cluster processing centre as well as for food processing units.



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### **Key Rating Weaknesses**

#### ***Project execution risk***

The company proposes to set up a food park at Karnal, Haryana, at a total estimated cost of INR32.97 Crore. The size of the project is considerable as compared to the previous ventures of the promoters. Successful commissioning of the same and lease/sale of the remaining are a post implementation are critical to the viability of the project.

#### ***Offtake risk***

Of the total areas to be sub-leased/sold, approximately 66.62% has been sub-leased/sold by the company. However, even if the entire land is not sub-leased, the company can operate its IQF and deep chambers post commissioning of the plant. About 50% capacity of the IQF is proposed to be reserved for job work to be done for third parties, while the company proposes to sell the balance on its own to third parties which provides some comfort.

#### ***Susceptibility to fluctuation in raw material prices and Government policies***

The company may be exposed to volatile raw material prices on account of vagaries of nature. Also, fluctuation in market prices in the form of increase in Minimum Support Price by GOI may impact the procurement costs and thus the margins of agro processing companies.

#### ***Competitive and fragmented industry***

The agro foods processing and trading industry is highly fragmented, characterized by presence of large number of small players competing with few organised players. The entry barriers are low in the industry. The fragmented nature of the industry along with the intense competition may put pressure on the company's operating profitability.

#### **Analytical Approach & Applicable Criteria:**

- Standalone
- Rating Methodology for Infrastructure companies
- Financial Ratios & Interpretation (Non-Financial Sector)



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### **Liquidity: Adequate**

Adequate liquidity is characterized by its expected comfortable gross cash accruals. The company's top line is projected to improve steadily on account of increase in scale of operations of the food park.

### **About the company**

Karnal Food Pack Cluster Ltd (KFPCL) was incorporated in 2015. The promoters of the company are members of Bharti family, Mr. Virender Dhingra and Mr. Vinay Taneja. Mr. Pankaj Bharti is the managing director of the company. The company is in the process of construction of a food park at Karnal in Haryana, for which final approval by MoFPI was received in June 2018. The 12.06 acre land on which the food park is being built is owned by the promoters and has been taken on 99 year lease by KFPCL. Out of total area of the food park, area of around 8.03 acres is proposed to be given on sub-lease/for sale, and remaining 4.03 acre will be used by the company for 'Individual Quick Freezing' (IQF), deep freezers and other common facilities like admin block, roads, sewage treatment plant etc.

### **Financials (Standalone)**

#### **INR in Crore**

<b>For the year ended */ As on</b>	<b>31-Mar-18 (A)</b>	<b>31-Mar-19 (A)</b>
Total Operating Income	1.00	2.48
EBITDA	0.47	0.10
PAT	0.25	0.04
Total Debt	0.07	3.09
Tangible Net Worth	15.05	18.34
EBIDTA Margin (%)	47.32	3.87
PAT Margin (%)	25.51	1.58
Overall Gearing ratio (x)	0.00	0.17

*\*Classification as per Infomerics' standards*

**Details of Non Co-operation with any other CRA: N.A.**

**Any other information: N.A.**



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Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20	Rating Assigned in 2018-19 (October 04, 2018)	Rating Assigned in 2017-18
Fund Based Facilities-Term Loan	Long Term	8.00	IVR BB+/Stable Outlook	--	IVR BBB-/Stable Outlook	--
	<b>Total</b>	<b>8.00</b>				

**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](http://www.infomerics.com).

### Name and Contact Details of the Analysts:

Name: Ms. Himani Singhal

Tel: (022) 62396023

Email: [hsinghal@infomerics.com](mailto:hsinghal@infomerics.com)

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: [abhuania@infomerics.com](mailto:abhuania@infomerics.com)

### 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. 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

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Fund Based facility-Term Loan	--	--	June-2026	8.00	IVR BB+ /Stable outlook
<b>Total</b>					<b>8.00</b>	