

September 19, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	26.46	SMERA C (Assigned)
Cash Credit	10.00	SMERA C (Assigned)
Letter of Credit	2.63	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA C**' (read as **SMERA C**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of KLA India Public Ltd. (KLA IPL). The ratings are mainly constrained by the company's weak financial risk profile and stretched liquidity position in an intensely competitive segment of the rice milling industry. The ratings are also constrained by the company's exposure to agro-climatic risk. However, the ratings are supported by the company's experienced management. The ratings also draw comfort from the favourable location of the company's rice processing unit.

KLA IPL, established in 2002, is a Rudrapur-based company engaged in milling of paddy and trading of agricultural commodities. KLA IPL's weak financial risk profile is marked by high gearing (debt-equity ratio) of 1.68 times as on March 31, 2014 and interest coverage ratio of 1.50 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's financial risk profile is likely to deteriorate on account of significant debt repayment obligation (of ~Rs.2.50 crore per annum) over the medium term. KLA IPL's stretched liquidity position is evidenced by high utilisation (88 per cent) of cash credit limit during April 2014 to June 2014. The company has high level of debtors (Rs.25.45 crore) outstanding for more than six months as on March 31, 2014. KLA IPL faces intense competition from several players in the rice milling industry. The company's operations are exposed to agro-climatic risk which may adversely affect the availability of agricultural commodities.

KLA IPL benefits from its experienced management. Mr. Ashok Agarwal, director of KLA IPL, has around 12 years of experience in the company's line of business. KLA IPL's rice processing unit is in proximity to raw material sourcing areas in Uttarakhand, a major rice growing state in India.

About the company

KLA IPL, incorporated in 2002, is a Rudrapur-based company promoted by members of the Agarwal family. KLA IPL is engaged in milling of paddy and trading of agricultural commodities such as soya beans and maize. The company has a processing unit in Rudrapur (Uttarakhand) with total installed capacity of ~2 metric tonnes (MT) per hour. KLA IPL sells its product under the brand names of 'KLA Organic Dehraduni Basmati Rice', 'KLA GEM', 'KLA Ekta-1121' and 'KLA 999-Pusa'.

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SMERA RATINGS LIMITED

KLA India Public Ltd. (KLA IPL)

Rating Rationale

For FY2013–14, KLA IPL reported net profit of Rs.0.92 crore on operating income of Rs.161.59 crore, as compared with net loss of Rs.10.14 crore on operating income of Rs.43.69 crore in FY2012–13. The company's net worth stood at Rs.23.75 crore as on March 31, 2014, as compared with Rs.21.78 crore a year earlier.

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