



SMERA RATINGS LIMITED

KLA India Public Limited (KLA IPL)

*Rating
Rationale*

July 22, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	20.83	SMERA BB-/ Stable (upgraded from SMERA C)
Cash Credit	10.00	SMERA BB-/ Stable (upgraded from SMERA C)
Proposed	5.63	SMERA BB-/Stable (upgraded from SMERA C)
Bank Guarantee	2.63	SMERA A4+ (upgraded from SMERA A4)

SMERA has upgraded the long-term rating on Rs.36.46 crore bank facilities of KLA India Public Limited (KLA IPL) to '**SMERA BB-' (read as SMERA double B minus)** from 'SMERA C' (read as SMERA C). The outlook is '**Stable**'. SMERA has also upgraded the short-term rating to '**SMERA A4+' (read as SMERA A four plus)** from 'SMERA A4' (read as SMERA A four) on Rs.2.63 crore bank facility of the company.

The upgrade reflects improved liquidity profile on account of significant recovery of receivables more than 6 months from ECGC (Export credit Guarantee Corporation of India Limited) & others. The upgrade also reflects the consistent growth in the company's scale of operations and net profitability.

The ratings continue to derive support from location specific advantage and company's experienced management. However, the rating remains constrained by the company's exposure to intensely competitive segment of the rice milling industry and agro-climatic risk.

Update

KLA IPL has shown consistent revenue growth over the years registering Rs.184.28 crore in FY2014-15 from Rs.111.07 crore in FY2010-11. Net profit margin of the company has improved and stands comfortable at 1.05 per cent in FY2014-15 (refers to financial year, April 01 to March 31) as compared to 0.92 per cent in FY2013-14. KLA IPL working capital days have reduced from 300 days in FY2012-13 to 67 days in FY2014-15. Company's working capital limit utilisation stands moderate at ~66% from Oct-14 to June-15. KLA IPL have realised significant amount of the money that was blocked in the form of receivables more than 6 months with ECGC and others. Receivables more than 6 months have reduced from Rs. 25.45 crores in FY2012-13 to Rs. 15.70 crores in FY2014-15.

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KLA IPL continues to benefit from favorable location of its rice processing unit which is in proximity to raw material sourcing areas in Uttarakhand and experienced management. The company director, Mr. Ashok Agarwal has more than twenty years of experience in the company's line of business and he is ably supported by second line of management.

Ratings continue to remain constrained by company's exposure to intense competition from several players in the rice milling industry and agro-climatic risk which may adversely affect the availability of agricultural commodities

Outlook: Stable

SMERA believes KLA IPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the further improvement in its working capital cycle, with increasing revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or profitability, or in case of significant deterioration of its debt protection metrics.

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 milling capacity of ~2 metric tonnes (MT) per hour and Sortex capacity of ~8 metric tonnes (MT) per hour. KLA IPL sells its product under the brand names of 'KLA Organic Dehradooni Basmati Rice', 'KLA GEM', 'KLA Ekta-1121' and 'KLA 999-Pusa'.

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