

KLA India Public Limited: Reaffirmed

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

SMERA has reaffirmed the ratings of '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs 39.09 crore bank facilities of KLA India Public Limited (KLA IPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the established operations and moderate financial risk profile. However, the ratings remain constrained by the agro climatic risks, working capital intensive operations and exposure to intense market competition in the rice milling industry.

KLA IPL continues to benefit from the experienced management and proximity of its rice processing unit to raw material source in Uttarakhand. The Director, Mr. Ashok Agarwal has over a decades experience in the company's line of business.

KLA IPL has shown consistent revenue growth over the years registering Rs.205.60 crore in FY2015-16 (Provisional) from Rs.111.07 crore in FY2010-11. The company has moderate capital structure with net worth of around Rs.31.00 crore and gearing of 0.97 times as on March 31, 2016 (Provisional). The debt protection metrics have remained moderate with interest coverage ratio of around 1.92 times and net cash accruals to total debt (NCA/TD) of 0.08 per cent as on 31 March, 2016 (Provisional). The company's liquidity profile is supported by gradual recovery of its past debtors, with the company receiving around Rs. 5.14 crore of funds over the past 4 years. This has also lead to creation of adequate headroom in its working capital limits.

The company's operations are working capital intensive with Gross Current Asset (GCA) at 121 days as on March 31, 2016, as compared to 122 as on March 31, 2015. This is attributed to the high inventory requirements in light of the seasonal nature of operations. The ratings are also driven by the company's exposure to intense competition in the rice milling industry and agro-climatic risks.

Outlook: Stable

SMERA believes that the outlook of KLA IPL will remain stable over the medium term on account of the extensive experience of the promoters and established relations with customer and suppliers. The outlook may be revised to 'Positive' in case of significant increase in revenues, profitability and accruals. On the contrary, the outlook shall be revised to 'Negative' in case of lower than expected revenues and accruals, significant elongation in its working capital cycle or large debt funded capex plan.

Rating Sensitivity Factors

- Scaling up operations while managing working capital funds
- Agro climatic risks

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Uttarakhand-based KLA IPL was incorporated in 2002 by Mr Agarwal and family. The company is engaged in the milling of paddy and trading of agriculture commodities such as soya beans and maize. The processing unit located at Rudrapur (Uttarakhand) has an installed capacity of ~2 metric tonnes (MT) per hour. KLA IPL sells its products under the 'KLA Organic Dehradooni Basmati Rice', 'KLA GEM', 'KLA Ekta-1121' and 'KLA 999-Pusa' brand names.

For FY2015-16 (Provisional), the company reported PAT of Rs.1.51 crore on operating income of Rs.205.60 crore, as compared with profit after tax (PAT) of Rs.1.94 crore on operating income of Rs.184.39 crore in FY2014-15. The net worth stood at Rs.31.00 crore as on March 31, 2016 (Provisional) against Rs.26.50 crore a year earlier.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
22 July, 2015	Term Loan	20.83	SMERA BB- (Upgraded)	-	Stable
	Cash Credit	10.00	SMERA BB- (Upgraded)	-	Stable
	Bank Guarantee	2.63	-	SMERA A4+ (Upgraded)	
	Proposed	5.63	SMERA BB- (Upgraded)	-	Stable
19 September, 2014	Term Loan	26.46	SMERA C (Assigned)	-	
	Cash Credit	10.00	SMERA C (Assigned)	-	-
	Bank Guarantee	2.63	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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