

Press Release

KLA India Public Limited

03 September, 2018



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 39.09 Cr
Long Term Rating	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating from '**ACUITE BB-**' (**read as ACUITE double B minus**) to '**ACUITE BB**' (**read as ACUITE double B**) and has reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 39.09 crore bank facilities of KLA India Public Limited (KIPL). The outlook is '**Stable**'.

The Uttarakhand-based, KIPL was incorporated in 2002 by Mr. Kundan Lal Agarwal. The company is engaged in processing of non-basmati rice as well as trading of other agro based products like soyabean, maize, among others. The company has manufacturing capacity of 12 tons per annum.

The rating revision is in view of sustained growth in the scale of operation and profitability which has augured well to the debt servicing ability of KIPL. The rating revision also factors in the improved management profile and efficient working capital management.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KIPL to arrive at this rating.

Key Rating Drivers:

Strengths

- **Experienced management and established track record of operations**

KIPL was incorporated in 2002 by Mr. Kundan Lal Agarwal (Director). Mr. Kundan Lal Agarwal is the promoter and has experience of over five decades in the aforementioned industry. He is supported by Mr. Ashok Agarwal and Mrs. Ranjeeta Agarwal having experience of over 2 decades. Mr. S.C. Saxena and Mr. Nitin Singh had joined the board as independent Directors in FY2018. The strong experience of directors has aided in establishing strong customer base.

Acuité believes KIPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Growth in scale of operations**

KIPL is engaged in trading of agro based products along with processing of non-basmati rice with trading income contributing ~81 percent of the total revenues in FY2018. The company reported operating income of Rs.225.68 crore in FY2018 which has improved from Rs.217.49 crore in FY2017 and Rs.205.58 crore in FY2016. The growth is mainly a result of increased trading operations. Further, ~85 percent of the total sales is made to export markets, namely, South Africa, Ivory Coast, Madagascar, Dubai among others. The operating margins stood at 3.08 percent in FY2018 as against 2.90 percent in FY2017. Profit after Tax (PAT) margin stood at 0.88 percent in FY2018 as against 0.83 percent in FY2017.

Acuité believes that KIPL will sustain the growth in the scale of operations while maintaining profitability over the near to medium term on the back of the company's plans to improve its idle capacity utilisation.

- **Efficient working capital management**

The company has efficiently managed its working capital as reflected in Gross Current Assets of 93 days in FY2018 as against 91 days in FY2017 and 105 days in FY2016. This is mainly on account of debtors of 61 days in FY2018 as against 77 days in FY2017. The company has inventory of 26 days in FY2018 as against 13 days in FY2017. Further, the average utilisation of working capital borrowings stood at 85.33 percent in the last six months ended June 2018.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weakness

- **Moderate financial risk profile**

KIPL's financial risk profile is moderate marked by net worth of Rs.30.60 crore as on 31 March, 2018 as against Rs.28.71 crore as on 31 March, 2017. The gearing stood at 0.85 times as on 31 March, 2018 as against 0.97 times as on 31 March, 2017. The total debt of Rs.25.89 crore as on 31 March, 2018 comprises of Rs.11.81 crore of term loans and Rs.10.84 crore of working capital borrowings and unsecured loan of Rs.3.24 crore. The company has moderate interest coverage ratio (ICR) of 2.22 times in FY2018 (Provisional) as against 2.24 times in FY2017. Total Outside Liabilities to Tangible Net Worth stood moderate at 1.34 times as on March 31, 2018. Debt Service Coverage Ratio stood weak at 1.09 times in FY2018 as against 0.98 times in FY2017.

- **Exposure to agro climatic risks**

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon good monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions thereby impacting the business and financial risk profile of the company.

Outlook: Stable

Acuité believe that KIPL will maintain a 'Stable' business and financial risk profile over medium term on the back of established track record and stable business risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in the scale of operations and profitability while maintaining working capital efficiently. The outlook may be revised to 'Negative' in case of significant decline in the scale of operations or profitability or in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	225.68	217.49	205.58
EBITDA	Rs. Cr.	6.94	6.30	10.35
PAT	Rs. Cr.	1.98	1.80	1.55
EBITDA Margin	(%)	3.08	2.90	5.04
PAT Margin	(%)	0.88	0.83	0.75
ROCE	(%)	9.67	9.07	8.58
Total Debt/Tangible Net Worth	Times	0.85	0.97	1.26
PBDIT/Interest	Times	2.36	2.24	1.88
Total Debt/PBDIT	Times	4.33	4.67	5.63
Gross Current Assets (Days)	Days	93	91	105

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-Oct-2017	Term Loan	Long Term	20.83	ACUITE BB- (Indicative)
	Cash Credit	Long Term	10.00	ACUITE BB- (Indicative)
	Proposed Bank Facility	Long Term	5.63	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	2.63	ACUITE A4+ (Indicative)
19-Jul-2016	Term Loan	Long Term	20.83	ACUITE BB-/Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.63	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.63	ACUITE A4+ (Reaffirmed)
22-Jul-2015	Term Loan	Long Term	20.83	ACUITE BB-/Stable (Upgrade)
	Cash Credit	Long Term	10.00	ACUITE BB-/Stable (Upgrade)
	Proposed Bank Facility	Long Term	5.63	ACUITE BB-/Stable (Upgrade)
	Bank Guarantee	Short Term	2.63	ACUITE A4+ (Upgrade)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.80	ACUITE BB/Stable (Upgrade from ACUITE BB/ Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/Stable (Upgrade from ACUITE BB/ Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.16	ACUITE BB/Stable (Upgrade from ACUITE BB/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.13	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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