

## Kohinoor Foods Limited

April 16, 2018

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	199.50	<b>CARE D (Single D)</b>	<b>Revised from CARE BB; Negative (Double B; Outlook: Negative)</b>
Short term Bank Facilities	747.30	<b>CARE D (Single D)</b>	<b>Revised from CARE A4 (A Four)</b>
<b>Total</b>	<b>946.80 (Rs. Nine hundred forty six crore and eighty lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The revision in the ratings assigned to the bank facilities of Kohinoor Foods Limited (KFL) take into account the delays in servicing of its debt obligation.*

*Going forward, the ability of the company to improve its liquidity profile through efficient management of its working capital requirements are the key rating sensitivities.*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Delays in servicing of Debt Obligations

On account of the stressed liquidity position of the company due to deterioration in its financial and operational profile, there are overdues in the working capital facility assigned by various banks. Going forward, the ability of the company to improve its liquidity position shall remain critical.

**Working capital intensive operations:** Owing to the seasonality of rice harvest, the business has to maintain suitable raw material inventory to ensure uninterrupted production throughout the year. Further, basmati rice requires higher ageing of the semi-finished rice for better quality, thereby elongating the working capital cycle.

**Deterioration in the Financial Risk Profile:** The operational performance of the company has deteriorated in FY17 (refers to period from April 01 to March 31) due to high cost of raw material w.r.t. total sales. In FY17 the cost of material consumed as a percentage of total sales has increased to 89% (PY: 74%) as the company was not able to sell rice in domestic markets due to legal issues which resulted in piling-up of inventory. The inventory in the books was being carried at a higher cost than the amount realized for the same which resulted in operational losses for KFL. In FY17 KFL booked a net loss of Rs 148.63 crore on account of operational losses and some exceptional losses. The exceptional losses were primarily on account of bad-debts due to write off receivables from subsidiary companies & Kohinoor Specialty Foods Limited (KSFL).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

KFL reported loss of Rs. 148.63 crore in FY17 (PY: Rs. 3.18 crore of PAT) which has led to moderation in the Net-worth base from Rs.415.38 crore in FY16 to Rs.266.75 crore in FY17. However, the company has booked a PAT of Rs. 5.98 crore during 9MFY18. Overall gearing increased to 3.16x as on March 31, 2017 (PY: 2.09x) due to moderation of Net-worth. KFL's debt profile as on March 31, 2017 largely comprised of working capital borrowings.

### Key Rating Strengths

**Experienced and resourceful promoter group:** KFL was founded by Mr. Jugal Kishore Arora (Chairman) along with his brothers Mr. Satnam Arora (Jt. Managing Director) and Mr. Gurnam Arora (Jt. Managing Director). The promoters have an experience of 4 decades in the industry. The promoters are assisted by an experienced team of professionals for carrying out the day-to-day operations of the company.

**Strong distribution network and geographically diversified operations:** KFL has a strong marketing and distribution setup with more than 100 distributors across the world each of whom has his own network of dealers and retailers. Company has taken initiatives for increasing foothold in various countries. With presence in over 60 countries across the globe, KFL has geographically diversified operations.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[CARE's methodology for manufacturing companies](#)  
[Criteria for Short Term Instruments](#)  
[Financial ratios – Non-Financial Sector](#)

### About the Company

Incorporated in 1989, Kohinoor Foods Ltd (KFL) is engaged in the milling, processing and selling of rice, and trading of food products and other agri-commodities. The rice mill is located at Murthal (Haryana) with total installed capacity of 50 metric tonne per hour (MTPH) as on March 31, 2017. Over the years, KFL has emerged as one of the dominant Indian players in the global basmati rice market. KFL has established its brand both in India and abroad in geographies like USA, UK, Middle Eastern countries, Australia, Belgium and other European countries.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1132.23	1061.53
PBILDT	138.29	-30.31
PAT	3.81	-148.63
Overall gearing (times)	2.09	3.16
Interest coverage (times)	1.42	-0.33

A: Audited

### Status of non-cooperation with previous CRA:

Not Applicable

### Any other information:

Not Applicable

### Rating History for last three years:

Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	199.50	CARE D
Fund-based - ST-EPC/PSC	-	-	-	507.25	CARE D
Non-fund-based - ST-BG/LC	-	-	-	148.00	CARE D
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	92.05	CARE D

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	199.50	CARE D	-	1)CARE BB; Negative (29-Aug-17)	1)CARE BBB-; Stable (27-Feb-17)	1)CARE BBB- (02-Feb-16) 2)CARE BBB (21-Apr-15)
2.	Fund-based - ST-EPC/PSC	ST	507.25	CARE D	-	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	1)CARE A3 (02-Feb-16) 2)CARE A3 (21-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	148.00	CARE D	-	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	1)CARE A3 (02-Feb-16) 2)CARE A3 (21-Apr-15)
4.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (27-Feb-17)	1)CARE BBB- (02-Feb-16) 2)CARE BBB (21-Apr-15)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	92.05	CARE D	-	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	-

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