MAY 6, 2015

CARE ASSIGNS CARE AA (SO)/CARE A1+ (SO) AND IN-PRINCIPLE CARE AA (SO)/CARE A1+ (SO) RATINGS TO THE BANK FACILITIES OF PINNAE FEEDS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	37.50	CARE AA(SO) [Double A (Structured Obligation)]	Assigned
Long-term/Short-term bank facilities	12.50	CARE AA(SO)/CARE A1+(SO) [Double A (Structured Obligation)]/[A One plus (Structured Obligation)]	Assigned
Long-term/Short-term bank facilities	27.20	In Principle CARE AA(SO)/In Principle CARE A1+(SO) [In Principle Double A (Structured Obligation)]/ [In Principle A One plus (Structured Obligation)]	Assigned
Total Facilities[@]	**77.20**		

@backed by unconditional and irrevocable corporate guarantee provided/to be provided by Karam Chand Thapar & Bros. (Coal Sales) Ltd. (KCTBL, rated CARE AA/CARE A1+)

Rating Rationale

The above ratings are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided/ to be provided by Karam Chand Thapar & Bros. (Coal Sales) Ltd. (KCTBL, rated CARE AA/CARE A1+) for the entire debt servicing obligation during the full tenure of the bank facilities of Pinnae Feeds Ltd.

The ratings of KCTBL continue to derive strength from its strong parentage (KCTBL, being the flagship company of the Karam Chand Thapar (KCT) group) established presence in the coal logistics and services sector by virtue of its long track record, long standing client relationship, expected termination of its loss making business ventures, favorable demand prospects of its imported coal segment, healthy cash accruals and strong cash balance & liquid investments with nominal leverage levels as on March 31, 2014.

The ratings are, however, constrained by the project risk associated with the execution of its wind power project, relatively low price volatility & foreign exchange risk and substantial support extended to its group companies.

Ability of the company to reduce its exposure to group companies, improve profitability while maintaining adequate capital structure would remain the key rating sensitivities.

Background

Pinnae Feeds Limited (PFL) which was incorporated in July 05, 2012 is a wholly owned subsidiary of KCTBL; the flagship company of the KCT Group of Kolkata which is one of the largest coal logistics and services companies of India. The KCT group which was promoted in 1929 by Late Shri Karam Chand Thapar enjoys significant presence in several sectors including coal and bulk commodities, infrastructure, capital and engineering goods, real estate, aquaculture and power trading. PFL is engaged into the business of shrimp feed manufacturing and has a manufacturing unit located at Nellore, Andhra Pradesh having an installed capacity of 40,000 Tonne Per Annum(TPA). The manufacturing facility of the company was established at a total cost of Rs.50.0 crore which was financed at a debt-equity ratio of 3:1. The manufacturing unit commenced commercial operation from July 02, 2014 onwards.

The day-to-day affairs of the company are looked after by Mr.Ramakant Akula (CEO) and is well supported by an experienced team of professionals.

As per unaudited results for M9FY15 (refers to the period April 01 to December 31),PFL reported a PBT of Rs.0.04 crore on a turnover of Rs.15.99 crore.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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