

**KRBL Limited** (Revised)

February 02, 2021

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Commercial Paper (Carved out)*	500.00	<b>CARE A1+ (Under Credit watch with Negative Implications) (A One Plus) (Under Credit watch with Negative Implications)</b>	<b>Placed on Credit watch with Negative Implications</b>
<b>Total Short Term Instruments</b>	<b>500.00 (Rs. Five Hundred Crore Only)</b>		

\*carved out of the sanctioned working capital limits of the company

Details of instruments/facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

CARE has placed the rating of KRBL Limited (KRBL) on credit watch with negative implications as the Enforcement Directorate (ED) has arrested Mr. Anoop Gupta, the Joint Managing Director of KRBL on January 30, 2021 in connection with its money laundering probe into the AgustaWestland scam. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Further, CARE is also continuously monitoring the developments on other ongoing legal case wherein the ED has attached assets of KRBL under Prevention of Money Laundering Act, 2002 (PMLA) in connection with 2008 Embraer deal case.

**Key Rating Sensitivities**
**Negative Factors**

- Any adverse development in relation to the ongoing legal cases.
- Significant debt-funded capex resulting in deterioration of capital structure with overall gearing increasing more than 1.0x on a sustained basis.
- Adverse changes in import policies of key importing countries affecting the prices of Basmati rice and profitability of the company.

**Detailed Description of the Key Rating Driver**

The ED has arrested the Joint Managing Director of KRBL- Mr. Anoop Gupta in connection with its money laundering probe into VVIP choppers purchase (AgustaWestland) scam case, on January 30, 2021. As per media reports, ED in its remand application stated that approximately Euro 70 million proceeds of crime were laundered through two channels for payment of kickbacks to various political persons, bureaucrats, Air Force officials and others to influence the contract for supply of 12 VVIP helicopters in favour of Anglo-Italian firm – AgustaWestland. Further the proceeds of the crime was also received in Rawasi Al Khaleej General Trading (RAKGT) LLC Dubai which was incorporated in 2007 by KRBL DMCC, Dubai (a 100% subsidiary of KRBL Ltd) and Mr. Anoop Gupta was also one of the director of this company. However, CARE is awaiting more clarity with regard to aforesaid issue and may take a view on the rating of KRBL once further clarity emerges on the same.

Further, with respect to the Embraer deal case, the ED in December 2020 had filed a charge sheet before a special Prevention of Money Laundering Act (PMLA) court and has named Embraer SA, Brazil, Interdev Aviation Services Pte Ltd, KRBL Limited, Anoop Kumar Gupta (director of KRBL Limited), Anurag Potdar (nephew of Anoop Kumar Gupta) and others. The investigation conducted so far has resulted in the issuance of provisional attachment order of proceeds of crime in the form of immovable properties worth Rs 16.29 crore belonging to KRBL Ltd. The provisional attachment order has been confirmed by the Adjudicating Authority under PMLA. However, as per the Delhi High Court order dated October 23, 2020, the company was allowed to use the above mentioned land.

### **Strong Liquidity**

The liquidity position of the company remains strong marked by low debt repayment and low utilization of its working capital limits. The total debt repayment for FY21 is Rs. 13.44 crore. The average working capital utilization for the 12 months ending September 2020 stood comfortable at 22.95%. The company has free cash and bank balance of Rs. 52.78 crore and liquid investment of Rs. 281.40 crore as on September 30, 2020 (free cash & bank balance of Rs. 13.45 crore as on March 31, 2020 and current investments (equity shares) of Rs. 5.84 crore).

The company has not availed any moratorium for its debt obligations. Further, the healthy cash accruals of the company enable it to fund its working capital as well as any capex requirement. Going forward, with low debt repayment due within next one year, the cash accruals are only expected to strengthen the liquidity further.

**Analytical approach:** Standalone

### **Applicable Criteria**

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### **About the Company**

KRBL Limited (KRBL) was incorporated in 1993 by Mr. Anil K. Mittal, Mr. Anoop K. Gupta and Mr. Arun K. Gupta. The promoters have been involved into this business since 1889 under the name of Khushi Ram & Behari Lal.

KRBL is one of the largest fully integrated domestic rice players with an installed manufacturing capacity of 195 Metric Tonnes per hour (TPH). The company is engaged in the production and marketing of Basmati rice and is also engaged in seed development and multiplication and contract farming. Being an integrated player, it also generates value-added by-products like brain oil, de-oiled cakes and uses rice husks for captive power plant. The company also derives around 3% of its revenue through electricity generation. It has 144.84 MW of renewable power generation capacity through wind turbine (114.35 MW), biomass power plant (17.59 MW) & solar power plant (15 MW). One-third of the power generated is used towards captive consumption whereas the remaining is sold. However, KRBL is now evaluating to demerge this segment into a new company.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	4126.59	4514.51
PBILDT	857.30	887.64
PAT	503.27	559.41
Overall gearing (times)	0.57	0.28
Interest coverage (times)	12.69	14.22

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

### **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
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Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Carved out)	-	-	-	500.00	CARE A1+ (Under Credit watch with Negative Implications)

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Commercial Paper-Commercial Paper (Carved out)	ST	500.00	CARE A1+ (Under Credit watch with Negative Implications)	1)CARE A1+ (03-Dec-20) 2)CARE A1+ (Under Credit watch with Negative Implications) (07-Sep-20)	1)CARE A1+ (Under Credit watch with Negative Implications) (22-Nov-19) 2)CARE A1+ (Under Credit watch with Negative Implications) (06-Sep-19) 3)CARE A1+ (Under Credit watch with Negative Implications) (15-Jul-19)	1)CARE A1+ (27-Sep-18)	1)CARE A1+ (26-Dec-17) 2)CARE A1+ (05-Dec-17) 3)CARE A1+ (27-Sep-17)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA**
**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Carved out)	Simple

**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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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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