

Krish Cereals Private Limited

March 16, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	23.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	23.00 (Rs. Twenty-Three Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Krish Cereals Private Limited (KCPL) to monitor the rating vide letter dated March 06, 2021 and e mail communications dated March 04, 2021, February 19, 2021, February 08, 2021, February 05, 2021 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Krish Cereals Private Limited facilities will now be denoted as **CARE BB-; Stable Issuer Not Cooperating**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating assigned to the bank facilities of KCPL has been revised on account of non-availability of requisite information due to non-cooperation by KCPL with CARE's efforts to undertake a review of the outstanding rating. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the rating continues to be constrained by declining scale of operations, low profitability margins with weak solvency position and elongated operating cycle, susceptibility to fluctuation in raw material prices and monsoon dependent operations and fragmented nature of industry coupled with high level of government regulation. The rating however, derives strength from experienced and resourceful promoters with long track record of operations in the rice industry, favorable manufacturing location along with established business relationship with customers and suppliers.

Detailed description of the key rating drivers

Key Rating Weaknesses

Declining scale of operations, low profitability margins with weak solvency position: The total operating income of the company has declined by ~11% to 249.29 crore in FY20 (PY: Rs.281.11cr.). The PBILDT margins of the company remained low and declined to 1.48% in FY20 (PY: 1.63%), however the PAT margins improved marginally to 0.11% (PY: 0.09%). The debt equity ratio and overall gearing ratio remained leveraged at 1.15x and 2.54x as on March 31, 2020, however, the same improved from 1.58x and 3.16x, respectively as on March 31, 2019. The total debt to GCA ratio of the company stood weak at 46.40x, as on March 31, 2020. However, the same improved marginally on a y-o-y basis from 50.74x as on March 31, 2019.

Elongated operating cycle: The operating cycle of the company continued to remain elongated at ~87 days as on March 31, 2020 (PY: 101 days).

Susceptibility to fluctuation in raw material prices and monsoon dependent operation: Agro-based industry is characterized by its seasonality, due to its dependence on raw materials whose availability is affected directly by the vagaries of nature. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices. Since there is a long time lag between raw material procurement and liquidation of inventory, the company is exposed to the risk of adverse price movement resulting in lower realization than expected.

Fragmented nature of industry coupled with high level of government regulation: The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive. Furthermore, the raw material (paddy) prices are regulated by the government to safeguard the interest of farmers which limits the bargaining power of rice mills over the farmers. Given the fact that prices for finished products is

market determined while the cost of raw material is fixed by Government of India through the MSP (Minimum Support Price) mechanism, the profitability margins remain vulnerable, especially in times of high paddy cultivation.

Key Rating Strengths

Experienced and resourceful promoters with long track record of operations in the rice industry: The operations of the company are currently being managed by Mr. Kamal Singla and Mr. Dinesh Kumar. Both are having an experience of half a decade in the rice industry through their association with the company. There is also an experienced team of professionals for carrying out the day-to-day operations of the company. The promoters & related parties of the company have also infused unsecured loans to fund various business requirements of the company.

Favorable manufacturing location along with established business relationship with customers and suppliers: The company's manufacturing units are located in Nissing (Karnal, Haryana). This area is a hub for paddy/rice, leading to its easy availability. The company was established in 2010, with the promoters having an experience of a decade in the rice industry through their association with the company. Further, favorable location of the plant in close proximity to paddy growers in Haryana has led to development of long term relationships with the suppliers and therefore easy procurement of raw materials. On the customer side, long track record has enabled the company to establish strong business relationships with its clientele in the market, which in turn leads to repeat orders.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[CARE's methodology for manufacturing companies](#)

[CARE's policy on default recognition](#)

[Liquidity analysis of Non-financial sector entities](#)

About the Company

KCPL is engaged in the business of milling and processing of basmati rice. In FY19, the company achieved ~94% of the total income from the domestic market and remaining ~6% from the export market (sales to UAE). The company is also engaged in the procurement of semi-processed rice from the market which is further processed through color sorter and grading machines to remove the impurities. The company has an installed manufacturing capacity of 16 metric tonnes per hour in Nissing (Karnal, Haryana). The operations of KCPL are presently being managed by Mr. Kamal Singla and Mr. Dinesh Kumar. The group concerns/related parties of the KCPL include S.K. Foods (SKF; CARE BB; Stable), Anand Rice Mills (ARM; CARE B; Stable; Issuer Not Cooperating) and R.L. Agro Foods Private Limited (RLAF; CARE B; Stable; Issuer Not Cooperating) which are also engaged in the rice milling business.

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	281.11	249.29
PBILDT	4.59	3.69
PAT	0.26	0.26
Overall gearing (times)	3.16	2.54
Interest coverage (times)	1.32	1.37

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified Krish Cereals Private Limited as "Not cooperating" vide its press release dated December 27, 2019. ICRA has conducted the review on the basis of best available information and has classified Krish Cereals Private Limited as "Not Cooperating" vide its press release dated May 29, 2020

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

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	-	-	-	23.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (29-Oct-18) 2)CARE BB-; ISSUER NOT COOPERATING* (12-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (07-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	23.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (11-Feb-20)	1)CARE BB+; Stable (29-Oct-18) 2)CARE BB-; ISSUER NOT COOPERATING* (12-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (07-Apr-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable**Annexure 4: Complexity level of various instruments rated for this Firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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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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.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.