

Krish Cereals Private Limited

February 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.00	CARE B; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the long-term rating assigned to the bank facilities of Krish Cereals Private Limited (KCPL) factors in moderate scale of operations with low profitability margins, weak financial risk profile marked by high overall gearing and weak debt coverage indicators and stretched liquidity position. Further, the ratings continue to remain constrained by susceptibility to fluctuation in raw material prices, elongated operating cycle, and fragmented nature of industry coupled with high level of government regulation. However, the ratings derive strength from the long track record with experienced and resourceful promoters, favourable location of operations along with established business relationship with customers and suppliers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the total operating income with PBILDT margins above 4.00% on a sustained basis.
- Improvement in total debt to GCA to below ~15x on a sustained basis.

Negative factors

- Decline in the operating income to below ~Rs.200 Crores with PBILDT margins deteriorate below ~1% on a sustained basis.
- Any major debt funded capex resulting in deterioration of capital structure with overall gearing deteriorating further beyond 3x caused by increased working capital reliance or debt funded capex.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the ability of the company to able to benefit from experienced and resourceful promoters with long track record of operations in the rice industry and favourable manufacturing location along with established business relationship with customers and suppliers.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations with low profitability margins

KCPL reported a marginal improvement in scale of operations as reflected by total operating income of Rs. 241.97 crores in FY24 (refers to the period from April 01, 2023 to March 31, 2024) against Rs. 240.06 crores in FY23 (refers to the period from April 01, 2022 to March 31, 2023) on account of increase in number of orders. Further, KCPL profitability margins remained low, largely owing to limited value addition, as marked by PBILDT margin of 1.31 % in FY24 as against 1.17% in FY23. Further, PAT Margin stood at 0.15% during FY24 (FY23:0.10%).

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Weak financial risk profile

The capital structure of the company continues to remain leveraged, as reflected by the overall gearing of 1.83x as on March 31, 2024 (PY:1.89x). Further, the debt coverage indicators of the company continued to remain weak as reflected by PBILDT interest coverage and total debt/GCA of 1.35x (PY: 1.09x) and 38.52x (PY: 47.53x) in FY24.

Working capital intensive nature of operations

The average operating cycle of the company improved yet remained elongated at ~69 days during FY24 (PY:78 Days) on the back of improvement in collection period to 73 days (PY:88 days) and increase in credit period from suppliers to 72 days (PY:56 days), partially offset by elongation of inventory holding period to 68 days (PY:47 days). The company generally receives payment in around 3 months from the customers. On the raw material procurement side, the company gets a credit period ranging between 20-40 days. Inventory days increased in FY24 as the company procured large amount of paddy on the back of expectations of increase in rice prices.

Fragmented nature of industry coupled with high level of government regulation

Paddy and Rice prices are regulated by the government to safeguard the interest of farmers. The farmers bring their produce to their nearby grain markets that are sold under auction. The government has scrapped minimum export price (MEP) on basmati rice which may further intensify the stiff competition. Further, frequent changes in the government policies regarding imposition of export tax, restriction on export of non-basmati rice and minimum export price are inherent risks for all rice processors.

Susceptibility to fluctuation in raw material prices and monsoon dependent operation

Rice being mainly a Kharif crop, is a seasonal crop and is cultivated from June-July to September-October, and the peak arrival of crop at major trading centres begins in October-November. The paddy output is dependent on monsoon among other factors. Unpredictable weather conditions could affect the domestic output and result in volatility in the output and prices of paddy and rice. The company is thus exposed to fluctuation in prices as paddy is a seasonal crop and thus susceptible to supply side constraints like seasonal nature and exposure to the vagaries of monsoon.

Key strengths**Experienced 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, having experience of more than 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.

Favourable manufacturing location along with established business relationship with customers and supplier

The company's manufacturing units are located in Nissing (Karnal, Haryana), which is a hub for paddy, and 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. The company provides rice to Shiv Shakti, India Gate, Parth International and others.

Liquidity: Stretched

The working capital utilisation of the company has remained fully utilised with multiple instances of overutilisation up to 10 days, during the last twelve months ending December 31, 2024. The cash and cash equivalents of the company remained low at Rs 1.58 crores as on March 31, 2024. The expected GCA for FY25 is at Rs 0.94 crores against repayment obligations of Rs 0.53 Crores. The company is not planning to incur any major capex in the near to medium term.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Krish Cereals Private Limited (KCPL) is engaged in the business of milling and processing of basmati rice. The company is also engaged in the procurement of semi-processed rice from the market which is further processed through colour 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.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	240.06	241.98
PBILDT	2.80	3.17
PAT	0.24	0.37
Overall gearing (times)	1.89	1.83
Interest coverage (times)	1.09	1.35

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has reaffirmed the rating for the long-term bank facilities, under 'ISSUER NOT COOPERATING' category vide PR dated April 08, 2024 due to non-submission of information and lack of management cooperation.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	23.00	CARE B; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	23.00	CARE B; Stable	-	1)CARE B; Stable (10-Jan-24)	1)CARE C; Stable (06 Feb-23) 2)CARE B; Stable (05-Apr-22)	1)CARE C; ISSUER NOT COOPERATING* (28-Feb-22) 2)CARE C (10-Jun-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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