

KPL Exports Limited

February 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	389.00	CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Detailed rationale and key rating drivers:

CARE Ratings Ltd. has been seeking information from KPL Exports Limited (KEL) to monitor the rating(s) vide e-mail communications dated October 03, 2022; December 07, 2022; February 06, 2023 & February 21, 2023 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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 KPL Exports Limited will now be denoted as CARE A4+; 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(s).

The ratings have been revised on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

Analytical approach: Standalone after factoring linkages with the Parent – Kothari Products Ltd.

Detailed description of the key rating drivers:

At the time of last rating on December 29, 2021, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies; information shared by company).

Key rating weaknesses:

Modest financial risk profile: The overall gearing of the company is high at 2.05x as on March 31, 2022 (PY: 2.96x). Total debt of the company as on March 31, 2022 stands at Rs. 403.58 crore (PY: Rs. 560.49 crore). Debt coverage indicators improved as reflected by PBILDT interest coverage of 1.15x (PY: -0.65x) in FY22 on account of increase in the PBILDT margin and decrease in interest expense.

Large working capital requirements: KEL's operating cycle is high at 123 days as on March 31, 2022 (PY: 157 days). The average collection period of KEL is still at higher side at 215 days as on March 31, 2022 (PY: 249 days). Due to trading nature of the business, average inventory days stood nil in FY22 (PY: Nil) as KEL enters into agreement with supplier only after getting order from buyer. Average creditors days as on March 31, 2022 stood at 92 days (PY: 91 days).

Customer concentration risk: The customer concentration risk remains high for the company as reflected by a large proportion of revenue coming from top 4-5 clients. However, the long-standing association with its customers mitigates this risk to an extent.

Foreign exchange fluctuation risk: Being in the business of international trade involving various foreign currencies, KEL remains exposed to risk related to fluctuation in foreign currency. However, the forex risk is in-built in the company's business model and the margins are decided after factoring in the said risk. Moreover, the company has policy of hedging about 60-70% of its forex exposure by using forward contracts.

Key Rating Strengths:

Experienced promoters: Incorporated in 2008, KEL is a wholly owned subsidiary of Kothari Products Limited (KPL) and is engaged in the same line of business as KPL. The extensive experience of the promoters and KPL's longstanding relations with customers and suppliers has enabled KEL to scale up operations in a short period. Also, KPL has supported KEL with the infusion of funds in form of unsecured loans. Also, KPL has supported KEL with the infusion of funds in form of unsecured loans.

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

Diversified product profile and limited inventory risk: KEL is engaged in trading of multiple commodities similar to parent entity KPL. The company undertakes international trade of various products and commodities which includes agro-based commodities, electronics, minerals, metals, edible oil, coal, tiles, paper products, scrap, and PVC. Most of the trading activities undertaken by KEL are characterized by back-to-back sales arrangements, therefore, KEL does not keep any inventory as reflected by nil inventory days during FY22 (refers to the period from April 01 to March 31) (PY: 0 days).

Sizeable scale of operations albeit low profitability: The total operating income of the company grew by 7.41% to Rs.1,250.81 crore in FY22 (PY: Rs.1,164.48 crore). Further, The PBILDT margin of the company increased to 1.13% (PY: -ve 0.74%). Further, KEL reported net profit of Rs. 7.44 crore in FY22 (PY: net loss of Rs.12.19 crore).

Applicable criteria

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

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

[Financial Ratios – Non financial Sector](#)

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry:

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Incorporated in April 2008, KPL Exports Limited (KEL) is a part of Kothari group which is promoted by Mr. Deepak Kothari. The company is engaged in the business of international trading of electronics, coal, edible oil, construction material, machines and spares etc. The sales arrangement is completely back-to-back, i.e., the company enters into purchase agreement only after entering into sales agreement and the goods are supplied directly to the overseas buyer by the overseas supplier without entering India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	1,164.48	1,250.81	NA
PBILDT	-8.65	14.14	NA
PAT	-12.19	7.44	NA
Overall gearing (times)	2.96	2.05	NA
Interest coverage (times)	-0.65	1.15	NA

A: Audited; UA: Un-audited; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various 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 along with Rating Outlook
Fund-based - ST-EPC/PSC	-	-	-	-	11.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	-	370.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Forward Contract	-	-	-	-	8.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-EPC/PSC	ST	11.00	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A3 (29-Dec-21)	1)CARE A3 (CE) (07-Oct-20)	1)CARE A3 (CE) (07-Oct-19) 2)CARE A3 (SO) (07-Jun-19)
2	Non-fund-based - ST-BG/LC	ST	370.00	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A3 (29-Dec-21)	1)CARE A3 (CE) (07-Oct-20)	1)CARE A3 (CE) (07-Oct-19) 2)CARE A3 (SO) (07-Jun-19)
3	Fund-based - ST-EPC/PSC	ST	-	-	-	-	-	1)Withdrawn (07-Oct-19) 2)Provisional CARE A3 (SO) (07-Jun-19)
4	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (14-Aug-20)	1)Provisional CARE A3 (CE) (07-Oct-19)

								2)Provisional CARE A3 (SO) (07-Jun-19)
5	Un Supported Rating-Un Supported Rating (Short Term)	-	-	-	-	-	-	1)CARE A3 (07-Oct-19)
6	Non-fund-based - ST-Forward Contract	ST	8.00	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A3 (29-Dec-21)	1)CARE A3 (07-Oct-20)	-

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-EPC/PSC	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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Disclaimer:

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