FEBRUARY 13, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF KOTHARI PRODUCTS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	4.50 (reduced from 19.50)	**CARE A- [Single A Minus]**	Revised from CARE BBB+ [Triple B Plus]
Short-term Bank Facilities	1495.50 (enhanced from 1330.50)	**CARE A2+ [A Two Plus]**	Revised from CARE A3+ [A Three Plus]
Total Facilities	**1500.00**		

Rating Rationale

The revision in the ratings of bank facilities of Kothari Products Limited (KPL) takes into account the improvement in the company's financial risk profile with comfortable capital structure and moderate debt coverage indicators and healthy liquidity position. Furthermore, the ratings continue to derive comfort from the experience and resourcefulness of the company's promoters, its diversified product profile, comfortable working capital cycle and limited inventory risk due to back to back trading arrangements. However, the ratings continue to be constrained by the company's high exposure to the group entities in the form of loans & advances, investments and corporate guarantees and susceptibility of its profitability margins to the volatility in foreign exchange rates.

Going forward, the ability of KPL to improve its profitability profile amid fluctuating foreign exchange rates and maintain a comfortable capital structure would remain the key rating sensitivity.

Background

Kothari Products Limited (KPL) was set up as a partnership firm by Mr. M.M. Kothari and family in 1973. It was engaged in manufacturing of Pan Masala and Gutka under the brand 'Pan Parag'. KPL was reconstituted as a public limited company in 1994 and subsequently the 'Pan Masala' business was demerged into a separate entity, Pan Parag India Limited in November, 2008.

KPL is primarily engaged in international trading of various products and commodities which include coal, agro based commodities, steel, tiles and polyvinyl chloride (PVC). The company along with its subsidiaries and other promoter group entities is also engaged in real estate development and leasing.

During FY14 (refers to the period April 01 to March 31), on a total operating income of Rs.4312.90 crore, KPL reported a PBILDT and PAT of Rs.90.12 crore and Rs.42.29 crore respectively as against a PBILDT and PAT of Rs.133.03 crore and Rs.59.07 crore on the total operating income of Rs.3969.83 crore reported in FY13. Further, during H1FY15 (provisional) (refers to the period April 01 to September 30), on a total operating income of Rs.2203.20 crore, the company reported a PBILDT and PAT of Rs.62.62 crore and Rs.30.37 crore respectively.

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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