OCTOBER 15, 2015

# CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF KOTHARI PRODUCTS LIMITED

**Ratings**

| Facilities | Amount (Rs. Crore) | Rating[1] | Remarks |
|---|---|---|---|
| Long term Bank Facilities | 4.50 | **CARE A-<br>[Single A Minus]** | Reaffirmed |
| Short term Bank Facilities | 1,495.50 | **CARE A2+<br>[A Two Plus]** | Reaffirmed |
| **Total Facilities** | **1,500.00<br>(Rupees one thousand and five hundred crore only)** | | |

**Rating Rationale**

*The ratings of bank facilities of Kothari Products Limited (KPL) continue to derive strength from company's moderate financial risk profile with moderate capital structure and coverage indicators and its healthy liquidity position. Furthermore, the ratings continue to factor in the experience and resourcefulness of the company's promoters, its diversified portfolio of traded products 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, working capital intensive operations and susceptibility of its profitability margins to foreign exchange rates. The ratings also factor in the risk related to company's exposure to commodity price fluctuation, though the same is mitigated through back to back trading arrangements.*

*Going forward, the ability of KPL to improve its profitability margins amid fluctuation in commodity prices and exchange rates and maintain a moderate capital structure would remain the key rating sensitivity. Further, the impact of the company's exposure towards its subsidiaries on KPL's credit profile would also remain a key rating sensitivity.*

**Background**

Kothari Products Limited (KPL) was set up as a partnership firm by Mr. M.M. Kothari and family in 1973. The company is primarily engaged in international trading of various products and commodities which include coal, agro based commodities, steel, tiles, polyvinyl chloride (PVC) etc. The company through its subsidiaries and other promoter group entities is also engaged in real estate development and leasing activities. Apart from that, the company also has substantial equity investments and loans and advances extended to various group entities. KPL Exports Pvt. Ltd., one of the KPL's wholly owned subsidiary is also engaged in international trading and is rated 'CARE A2+ (SO)' (based on corporate guarantee of KPL).

During FY15 (refers to the period April 01 to March 31), on a total operating income of Rs.4660.94 crore, KPL reported a PBILDT and PAT of Rs.104.22 crore and Rs.49.31 crore respectively as against a PBILDT and PAT of Rs.90.12 crore and Rs.42.29 crore on the total operating income of Rs.4312.90 crore reported in FY14. Further, during Q1FY15 (provisional)

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

(refers to the period April 01 to June 30), on a total operating income of Rs.1148.65 crore, the company reported a PBILDT and PAT of Rs.29.57 crore and Rs.16.61 crore respectively.

**Analyst Contact**
Name: Ajay Dhaka
Tel: 011-45333218
Email: ajay.dhaka@careratings.com

*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.*

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

## CONTACT

**Head Office Mumbai**

**Mr. Sanjay Kumar Agarwal**
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

**Mr. Amod Khanorkar**
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**
**Mr. Mehul Pandya**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

**BENGALURU**
**Mr. Dinesh Sharma**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

**CHANDIGARH**
**Mr. Sajan Goyal**
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

**COIMBATORE**
**Mr. V Pradeep Kumar**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Saikat Roy**
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

**JAIPUR**
**Mr. Rakesh Jayaraman**
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr. Rahul Patni**
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691