

KRBL Limited
February 19, 2019**Update on material event**

The company has intimated the stock exchanges on Feb 08, 2019 regarding receipt of an income tax demand of Rs.1,269.20 cr (including interest liability of Rs.511.76 cr). The same was primarily on account of disallowance for cash purchases of paddy from farmers amounting to Rs.1,995.54 cr, pertaining to assessment years 2010-11 to 2016-17.

The company has filed an appeal against the order before Commissioner of Income Tax (Appeals). Till the final settlement of the appeal, the company shall be required to deposit upto 20% of the total demand amount, on a monthly basis in a staggered manner. Although, liquidity profile of KRBL Ltd is comfortable due to healthy cash accruals and moderate working capital utilization levels in general, still the quantum of tax demand is substantial. As the matter is sub-judice, CARE will continue to closely monitor the progress of the same and will take a rating action as required, based on an evaluation of the final income tax payable on the credit profile of KRBL.

Further, the ratings assigned to the Commercial paper issue of KRBL Limited (KRBL) continue to derive strength from the experienced promoters with long track record of operations in the rice industry, established brand name backed by robust selling & distribution network, integrated operations, as well as diversification in renewable energy as an alternate source of revenue. The ratings also take into consideration KRBL's in-house research & development capabilities, strong market share in Middle East countries with premium pricing over the industry average and comfortable financial profile marked by healthy profitability and comfortable solvency & liquidity position.

The rating is, however, constrained on account of working capital intensive operations, volatility of trade due to changes in government policies, foreign exchange risk and fragmented nature of the industry.

Going forward, its ability to profitably scale up the operations and effective working capital management shall be the key rating sensitivities.

The previous press release is available on the following link: [click here](#)

Analytical approach: Standalone

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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