

KRBL Limited (Revised)

July 15, 2019
Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Commercial Paper*	700.00	CARE A1+ (A One Plus; Under credit watch with negative implications)	Placed on credit watch with negative implications
Total	700.00 (Rupees Seven hundred crore only)		

*carved out of the sanctioned working capital limits of the company
 Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of KRBL Limited (KRBL) have been placed on credit watch with negative implications on account of the recent attachment of the portion of land and rice mill factory, located at Tehsil Dhuri, District Sangrur, Punjab, belonging to the company by the Enforcement Directorate (ED) under Prevention of Money Laundering Act, 2002 (PMLA) in connection with the 'Embraer Deal' case. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Further, the outcome of the recent income tax demand order of Rs. 1269.20 crore on account of disallowance of cash purchases of paddy from farmers would remain a key monitorable.

Detailed Description of the Key Rating Driver

As per recent media reports, the ED attached assets worth Rs. 15.32 crore of KRBL in relation to the \$208 million aircraft deal signed between Defence Research and Development Organisation (DRDO) and Embraer in 2008 as there are allegations that payoffs were received by Indian agents for pushing the deal with the Government of India.

The payoffs of Rs. 15.32 crore were received in M/s KRBL DMCC, Dubai (100% subsidiary of KRBL Ltd) and further rerouted to KRBL Ltd in the form of a dividend from subsidiary company.

The management has communicated that there is 'provisional attachment' on the assets and the same has no material impact on working of the plant. However, CARE is awaiting more clarity with regard to aforesaid issue and may take a view on the rating of KRBL once further clarity emerges on the same.

Analytical approach: Standalone
Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for placing rating on credit watch](#)

[Rating Methodology-Manufacturing Companies](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

KRBL Limited (KRBL) was incorporated in 1993 by Mr. Anil K. Mittal, Mr. Anoop K. Gupta and Mr. Arun K. Gupta. The promoters have been involved into this business since 1889 under the name of Khushi Ram & Behari Lal.

KRBL is one of the largest fully integrated domestic rice players with an installed manufacturing capacity of 195 Metric Tonnes per hour. The company is engaged in the production and marketing of Basmati rice and is also engaged in seed development and multiplication and contract farming. Being an integrated player, it also generates value-added by-products like bran oil, de-oiled cakes and uses rice husks for captive power plant.

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	3246.75	4119.57
PBILDT	779.51	865.18
PAT	461.80	503.27
Overall gearing (times)	0.55	0.53
Interest coverage (times)	11.26	12.81

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	-	700.00	CARE A1+ (Under Credit watch with Negative Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Commercial Paper	ST	700.00	CARE A1+ (Under Credit watch with Negative Implications)	-	1)CARE A1+ (27-Sep-18)	1)CARE A1+ (26-Dec-17) 2)CARE A1+ (05-Dec-17) 3)CARE A1+ (27-Sep-17)	-

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.

Contact us

Media Contact

Name: Mradul Mishra

Contact no: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Mr Gaurav Dixit

Contact no: +91-11 - 4533 3235

Email ID: gaurav.dixit@careratings.com

Business Development Contact

Name: Swati Agrawal

Contact no: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.