

## Kohinoor Foods Limited

March 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	199.50	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Based on best available information</b>
Short term Bank Facilities	747.30	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Based on best available information</b>
<b>Total</b>	<b>946.80 (Rs. Nine hundred Forty Six and eighty Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Kohinoor Foods Limited to monitor the rating vide e-mail communications dated November 22, 2018; November 23, 2018; November 27, 2018; November 29, 2018 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 best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Kohinoor Foods Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Kohinoor Food Limited bank facilities will now be denoted as **CARE D/CARE D; 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.***

The ratings have been take into account continuing default in re-payment of borrowing obligations due to continuous losses resulting in negative cash flows.

### Detailed description of the key rating drivers

*At the time of last rating on April 16, 2018 the following were the rating weaknesses and strengths:*

#### Key Rating Weaknesses

***Delays in servicing of Debt Obligations:*** On account of the stressed liquidity position of the company due to deterioration in its financial and operational profile, there are overdues in the working capital facility assigned by various banks. Going forward, the ability of the company to improve its liquidity position shall remain critical.

***Working capital intensive operations:*** Owing to the seasonality of rice harvest, the business has to maintain suitable raw material inventory to ensure uninterrupted production throughout the year. Further, basmati rice requires higher ageing of the semi-finished rice for better quality, thereby elongating the working capital cycle.

***Deterioration in the Financial Risk Profile:*** The operational performance of the company has deteriorated in FY17 (refers to period from April 01 to March 31) due to high cost of raw material w.r.t. total sales. In FY17 the cost of material consumed as a percentage of total sales has increased to 89% (PY: 74%) as the company was not able to sell rice in domestic markets due to legal issues which resulted in piling-up of inventory. The inventory in the books was being carried at a higher cost than the amount realized for the same which resulted in operational losses for KFL. In FY17 KFL booked a net loss of Rs 148.63 crore on account of operational losses and some exceptional losses. The exceptional losses were primarily on account of bad-debts due to write off receivables from subsidiary companies & Kohinoor Specialty Foods Limited (KSFL).

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

KFL reported loss of Rs. 148.63 crore in FY17 (PY: Rs. 3.18 crore of PAT) which has led to moderation in the Net-worth base from Rs.415.38 crore in FY16 to Rs.266.75 crore in FY17. However, the company has booked a PAT of Rs. 5.98 crore during 9MFY18. Overall gearing increased to 3.16x as on March 31, 2017 (PY: 2.09x) due to moderation of Net-worth. KFL's debt profile as on March 31, 2017 largely comprised of working capital borrowings.

#### Key Rating Strengths

**Experienced and resourceful promoter group:** KFL was founded by Mr. Jugal Kishore Arora (Chairman) along with his brothers Mr. Satnam Arora (Jt. Managing Director) and Mr. Gurnam Arora (Jt. Managing Director). The promoters have an experience of 4 decades in the industry. The promoters are assisted by an experienced team of professionals for carrying out the day-to-day operations of the company.

**Strong distribution network and geographically diversified operations:** KFL has a strong marketing and distribution setup with more than 100 distributors across the world each of whom has his own network of dealers and retailers. Company has taken initiatives for increasing foothold in various countries. With presence in over 60 countries across the globe, KFL has geographically diversified operations.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Incorporated in 1989, Kohinoor Foods Ltd (KFL) is engaged in the milling, processing and selling of rice, and trading of food products and other agri-commodities. The company has a rice mill located at Murthal (Haryana) with total installed capacity of 50 metric tonne per hour (MTPH) and a food processing unit at Sonapat (Haryana) with inhouse production capacity of 75,000 ready meals per day as on March 31, 2018. Over the years, KFL has emerged as one of the dominant Indian players in the global basmati rice market. KFL has established its brand both in India and abroad in geographies like USA, UK, Middle Eastern countries, Australia, Belgium and other European countries.

Further, the creditors of the company have filled petition under Section 7 of Insolvency and Bankruptcy Code, 2016, before the court of National Company Law Tribunal (NCLT), Chandigarh Bench, which are not yet admitted. The lender of consortium bank 'Oriental Bank of Commerce' and 'M/S Bedi Export' have filed the petition.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1050.82	859.15
PBILDIT	-82.61	24.24
PAT	-118.62	-71.03
Overall gearing (times)	5.31	8.18
Interest coverage (times)	-0.89	0.30

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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.

**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
Fund-based - LT-Cash Credit	-	-	-	199.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-EPC/PSC	-	-	-	507.25	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	148.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	92.05	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*\*Issuer did not cooperate; Based on best available information*

## 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	199.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (16-Apr-18)	1)CARE BB; Negative (29-Aug-17)	1)CARE BBB-; Stable (27-Feb-17)	1)CARE BBB- (02-Feb-16) 2)CARE BBB (21-Apr-15)
2.	Fund-based - ST-EPC/PSC	ST	507.25	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (16-Apr-18)	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	1)CARE A3 (02-Feb-16) 2)CARE A3 (21-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	148.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (16-Apr-18)	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	1)CARE A3 (02-Feb-16) 2)CARE A3 (21-Apr-15)
4.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (27-Feb-17)	1)CARE BBB- (02-Feb-16) 2)CARE BBB (21-Apr-15)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	92.05	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (16-Apr-18)	1)CARE A4 (29-Aug-17)	1)CARE A3 (27-Feb-17)	-

\*Issuer did not cooperate; Based on best available information

