KANORIA CHEMICALS & INDUSTRIES LIMITED

Registered Office :
KCI Plaza, 6th Floor
23C, Ashutosh Chowdhury Avenue
Kolkata-700 019
Tel : +91-33-4031-3200
CIN :L24110WB1960PLC024910
E-mail :calall@kanoriachem.com
Website : www.kanoriachem.com

KC-13/

19th January, 2022

The Manager
Listing Department
National Stock Exchange of India Limited,
"Exchange Plaza", Plot No. C/1,
"G" Block Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Symbol: KANORICHEM

DCS-CRD
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai - 400 001

Code No. 50 6525

Dear Sir(s),

Sub: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that CARE Ratings Limited has reaffirmed the rating for the long-term bank facilities of the Company as CARE A- while revising Outlook to "Stable" (Single A Minus; Outlook: Stable) and also reaffirmed rating for the short-term bank facilities as CARE A2+ (A Two Plus).

This is for your information and records.

Thanking you,

Yours sincerely,
For Kanoria Chemicals & Industries Limited

N. K. Sethia
Company Secretary

Encl : as above

CareEdge
RATINGS

No. CARE/KRO/RR/2021-22/1171

Mr N K Nolkha
Chief Financial Officer
Kanoria Chemicals & Industries Limited
KCI Plaza
6th Floor23C, Ashutosh Chowdhury Avenue
Kolkata
West Bengal 700019

January 18, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to our letter dated January 03, 2022 on the above subject.

1. The rationale for the ratings is attached as an **Annexure-I**.

2. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 19, 2022, we will proceed on the basis that you have no comments to offer.

Thanking you,

Anil More

Anil More
Assistant Director
anil.more@careratings.com

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.
Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure – I

Rating Rationale

Kanoria Chemicals & Industries Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	113.33 (Enhanced from 83.00)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Short-term Bank Facilities	65.00 (Enhanced from 50.00)	CARE A2+ (A Two Plus)	Reaffirmed
Long-term / Short-term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	**178.33 (Rs. One hundred seventy-eight crore and thirty-three lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings outlook to "Stable" from "Negative" for the bank facilities of Kanoria Chemicals & Industries Ltd (KCIL) factors in the successful implementation of resolution plan of its subsidiary, Kanoria Africa Textile's (KAT), debt guaranteed by KCIL along with sustained improvement in its standalone financial performance driven by improvement in sales realization and volume of both formaldehyde and Pentaerythritol attributable to higher demand from end-user segments.

The ratings continue to derive comfort from the experience of the promoters, presence of the group in diversified businesses, long track record of operations of the company in the chemicals business, improvement in profitability in FY21 (refers to the period April 1 to March 31) and H1FY22 and satisfactory capital structure and debt coverage indicators. The ratings continue to remain constrained by vulnerability of profitability to volatility in input prices and high exposure in group companies also leading to low return on capital employed (ROCE).

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Divestment of exposure in group companies leading to improvement in return metrics.
- Increase in the scale of operations (>Rs.550 crore) on a sustained basis.
- ROCE moving beyond 10% on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in PBILDT margin (<7%) on a sustained basis.
- Inability to achieve adequate improvement in its ROCE on a sustained basis.
- Deterioration in overall gearing (>0.60x) and total debt/gross cash accruals (TD/GCA) (>7x) on a sustained basis.
- Material increase in percentage of pledge of the promoters' share in KCIL from current level.

A

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071,
Tel: +91-33- 4018 1600 / 02;
Fax: +91-33- 4018 1603
CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

Detailed description of the key rating drivers

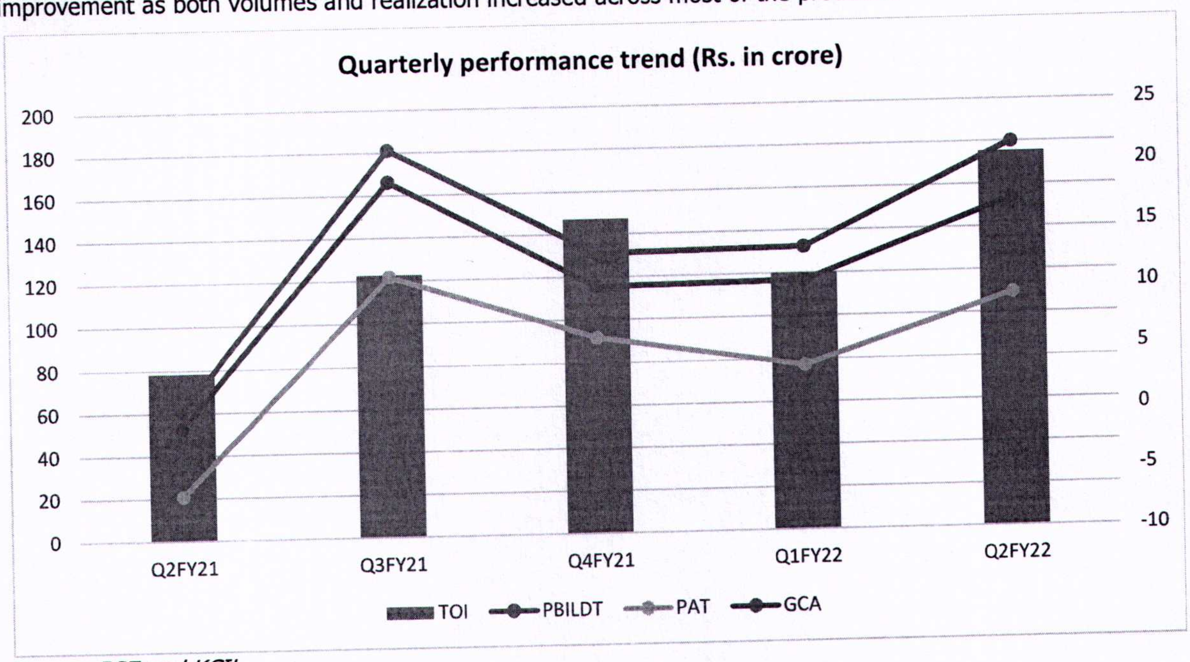
Key Rating Strengths

Experienced promoters and long track record of operations of the company in the chemical segment

KCIL is a part of the SS Kanoria group with long presence in the fields of chemicals, petrochemicals, textiles and jute. KCIL has an operational track record of more than five decades in the chemical business. Mr R.V. Kanoria (son of Late Mr S. S. Kanoria), CMD, takes care of day-to-day affairs of the company and has more than three decades of experience in the business.

Satisfactory financial performance marked by improvement in operating profitability in FY21 and H1FY22

KCIL's income from operations increased by 7% y-o-y in FY21 mainly due to increase in sales realizations of formaldehyde by 29% y-o-y in FY21. Sharp rise in sales realizations of formaldehyde was on account of supply issues in the industry coupled higher demand from the end-user industry. This apart, volumes and realisations of pentaerythritol also witnessed increase due to increased demand from end-user industry. Accordingly, the PBILDT margins have also improved by 441 bps in FY21. Nevertheless, the company has reported loss of Rs.3.67 crore due to extraordinary expenses of Rs.6.08 crore. Furthermore, in H1FY22, the financial performance witnessed improvement as both volumes and realization increased across most of the products.



Source: BSE and KCIL

Satisfactory capital structure and debt protection matrices

KCIL's overall gearing has been comfortable due to high net worth at 0.20x as on March 31, 2021, albeit improvement marginally from 0.23x as on March 31, 2020. The improvement was due to decrease in term debts largely attributable to reduction in unsecured loan. Furthermore, the TD/GCA improved significantly to 7x as on

March 2021 as against 20x as on March 2020, mainly due to increase in cash profits along with decline in total debts.

Key Rating Weaknesses

High exposure in group companies

The company has fund-based exposure in subsidiary companies in the form of investment and loans & advances amounting to Rs.259 crore as on March 31, 2021 (Rs.258 crore as on March 31, 2020) accounting for 42% of its net-worth (42% in FY20). Furthermore, KCIL has also extended corporate guarantee (outstanding guarantee of Rs.196 crore as on March 31, 2021; loan outstanding against such guarantee stood at Rs.131 crore) for loans availed by subsidiary companies.

Around Rs.264 crore (including loan outstanding against corporate guarantee) exposure was in subsidiary KAT, whose performance although improved in FY21 but witnessed marginal moderation in H1FY22 owing to local issues in Ethiopia. Nonetheless, after successful implementation of resolution plan, it is expected that KAT will meet its debt repayment obligations from its own earnings and there will not require any further support from KCIL. This apart, financial performance of APAG Holdings AG, Switzerland, has also started moderating in Q2FY22 mainly attributable to the shortage of semi-conductors. Nevertheless, management has reiterated that APAG will earn adequate cash accruals to meet its repayment obligations.

Volatile raw material prices

Raw material prices, especially for methanol have been volatile over the past few years. This is mainly due to volatility in the crude oil prices coupled with volatility in the global demand and supply matrices for methanol. This makes KCIL's profitability susceptible to the volatile prices of methanol.

Liquidity: Adequate

Adequate liquidity position of the company marked by average of month-end utilization of around 70% for the last 12 months ended October 2021. Besides this, the company also relies on other short-term financing to fund its working capital needs. This apart, KCIL has already met its debt repayment obligations for the year H1FY22. Repayment of corporate guaranteed debt (KAT's debt) will start Q2FY23 as resolution plan has been successfully implemented. Going forward, on the back of improved GCA, it is expected that liquidity position of the company will remain adequate to meet the repayment obligations.

Analytical Approach: Standalone. Exposure in the group companies has also been factored in the rating.

Applicable criteria:

Criteria on assigning Outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies
Liquidity Analysis of Non-Financial Sector Entities
Factoring Linkages Parent Sub JV Group

About the Company

Kanoria Chemicals & Industries Ltd. (KCIL), promoted by Late Mr S. S. Kanoria about five decades ago, is the flagship company of S. S. Kanoria faction of the Kolkata-based Kanoria family. The company has three manufacturing facilities at Ankleshwar in Gujarat and at Visakhapatnam and Naidupeta in Andhra Pradesh for the manufacture of Alco Chemicals, primarily pentaerythritol, formaldehyde and hexamine. The company has a solar power plant of 5.0 MW capacity in Jodhpur, Rajasthan.

Its major two subsidiaries are Kanoria Africa Textiles Plc in Ethiopia engaged in denim manufacturing and APAG Holding AG, Switzerland, engaged in the design, development and manufacturing of electronic control units (ECUs) and LED-based concept or design lighting modules primarily for the automotive industry.

Financial Performance: (Rs. crore)

For the period ended / as at March 31,	2019 (12m, A)	2020 (12m, A)	2021 (12m, A)
Net Sales	442.14	356.96	384.93
Income from Operations	457.44	369.43	395.00
PBILDT	36.96	16.97	35.56
Interest	7.34	13.86	12.47
Depreciation	20.49	21.50	22.14
PBT	11.64	-6.43	-5.03
PAT (After def Tax)	8.57	-0.82	-3.67
Gross Cash Accruals	27.82	7.07	17.11
Financial Position			
Equity Share capital	21.85	21.85	21.85
Net Worth	622.40	616.47	613.66
Total capital employed	795.00	806.27	781.49
Key Ratios			
Growth (%)			
Growth in Total income	4.40	-7.86	0.72
Growth in PAT (after deferred tax)	2.60	-12.82	19.79
Profitability (%)			
PBILDT / Total Income	8.08	4.59	9.00
PAT / Total Income	1.87	-0.22	-0.93
ROCE	2.13	-0.46	1.02
Solvency			
Debt Equity ratio (times)	0.10	0.13	0.12
Overall Gearing ratio (times)	0.20	0.23	0.20
Interest coverage (times)	5.76	1.40	2.85
Term debt/Gross cash accruals (years)	2.21	10.93	4.30
Total debt/Gross cash accruals (years)	4.37	20.50	7.26
Liquidity			
Current ratio	0.98	1.01	1.13
Quick ratio	0.77	0.66	0.81
Average Collection Period (days)	47	63	68
Average Inventory (days)	31	43	50
Average Creditors (days)	39	57	66
Operating cycle (days)	38	49	52

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

Details of rated facilities: Please refer Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	-	65.00	CARE A2+
Fund-based - LT-Cash Credit	-	-	-	-	30.00	CARE A-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	Nov,2027	83.33	CARE A-; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-BG/LC	ST	65.00	CARE A2+	-	1)CARE A2+ (11-Mar-21) 2)CARE A1 (06-Apr-20)	1)CARE A1+ (05-Apr-19)	-
2	Commercial Paper	ST	-	-	-	1)Withdrawn (06-Apr-20)	1)CARE A1+ (05-Apr-19)	-
3	Fund-based - LT-Cash Credit	LT	30.00	CARE A-; Stable	-	1)CARE A-; Negative (11-Mar-21) 2)CARE A; Negative (06-Apr-20)	1)CARE A+; Stable (05-Apr-19)	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	1)CARE A-; Negative / CARE A2+ (11-Mar-21) 2)CARE A; Negative / CARE A1 (06-Apr-20)	1)CARE A+; Stable / CARE A1+ (05-Apr-19)	-

A

5	Fund-based - LT-Term Loan	LT	83.33	CARE A-; Stable	-	1)CARE A-; Negative (11-Mar-21) 2)CARE A; Negative (06-Apr-20)	1)CARE A+; Stable (05-Apr-19)	-

* Long Term / Short Term

Annexure 2: Details of Rated Facilities

1. Long-term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms	Remarks
1.	Export Import Bank of India	34.01	28 Structured quarterly instalments with last repayment in November 2027	
2.	Export Import Bank of India	32.64	24 Structured quarterly instalments with last repayment on January 2026	USD 4.4 million, Fully interchangeable non-fund based SBLC/BG limit
3.	Export Import Bank of India	12.37	48 Structured monthly instalments with last repayment on May 2026	ECLGS
4.	Yes Bank Ltd.	2.85	48 Structured monthly instalments with last repayment on February 2026	ECLGS
5.	HDFC Bank Ltd.	1.46	48 Structured monthly instalments with last repayment on April 2026	ECLGS
	Total	**83.33**		

1.B. Fund-based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Axis Bank Ltd.	20.00	Cash Credit/Working Capital Demand Loan
2.	HDFC Bank Ltd.	10.00	Cash Credit/Working Capital Demand Loan
	Total	**30.00**	

Total Long-term Facilities: Rs.113.33 crore

2. Short-term Facilities

2.A. Non-fund- based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	HDFC Bank Ltd.	30.00	Bank Guarantee/ Letter of credit
2.	Yes Bank Ltd.	20.00	Bank Guarantee/ Letter of credit, includes sub-limit for CC/WCDL of Rs.15.0 crore
3.	Axis Bank Ltd.	15.00	Bank Guarantee/ Letter of credit
	Total	**65.00**	

Total Short-term Facilities: Rs.65.00 crore

Total Facilities (1. A+1.B+2. A): Rs.178.33 crore

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE Ratings Ltd 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.*

Annexure-5: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Contact us

Media Contact
Name – Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name - Anil More
Group Head Contact no.- +91-8444867144
Group Head Email ID- anil.more@careratings.com

Relationship Contact
Name: Lalit Sikaria
Contact no.: +919830386869
Email ID : lalit.sikaria@careratings.com

AL

(This follows our brief rationale for the entity published on January 07, 2022)

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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.*

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CONTACT

CARE Ratings Ltd.

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456

REGIONAL OFFICE

AHMEDABAD
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Phone : +91-79-4026 5656

ANDHERI – MUMBAI
CARE Ratings Limited
A Wing - 1102 / 1103, Kanakia Wall Street,
Andheri Kurla Road, Chakala, Andheri (E),
Mumbai - 400 093

BENGALURU
Unit No. 205-208, 2nd Floor, Prestige Meridian 1,
No. 30, M.G. Road, Bengaluru, Karnataka - 560 001
Phone : +91-80-4662 5555

CHENNAI
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone : +91-44-2849 7812 / 0811

COIMBATORE
T-3, 3rd Floor, Manchester Square,
Puliakulam Road, Coimbatore - 641 037
Phone : +91-422-433 2399 / 450 2399

HYDERABAD
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029
Phone : +91-40-4010 2030

KOLKATA
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071
Phone : +91-33-4018 1600

NEW DELHI
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055
Phone : +91-11-4533 3200

PUNE
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 016
Phone : +91-20- 4000 9000

CIN - L67190MH1993PLC071691