E:KRBL/BIBHU/STK_EX_2223/48
21 September 2022

The General Manager **Department of Corporate Services** **BSE Limited** **Floor 25, Phiroze Jeejeebhoy Towers** **Dalal Street, Mumbai – 400 001** Scrip Code: **530813**	**National Stock Exchange of India Limited** **“Exchange Plaza”, C-1, Block-G** **Bandra-Kurla Complex** **Bandra (E), Mumbai-400051** **Symbol: KRBL** **Series: Eq.**

Dear Sir/Madam,

Sub: Disclosure of credit rating pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), We wish to inform you that CARE Ratings Limited (“CARE”) has **reaffirmed** the rating for the Commercial Paper Limits of KRBL Limited as per below:

Type of Rating	Amount (₹ in Crores)	Existing Rating	Revised Rating
Commercial Paper	500	CARE A1+	CARE A1+

We would like to reiterate that KRBL remains committed to maintain highest standards of probity and professional excellence and assures its investors/shareholders, of total and unflinching commitment. The Company continues to have a robust business model with adequate internal accruals to drive growth objectives.

We are also enclosing herewith the copy of the Press Release as received from CARE and the same is also available on the Company’s website at www.krblrice.com under the link Investor Relations.

Kindly take the above information on record.

Thanking you,

Yours faithfully,
For KRBL Limited

ANOOP
KUMAR
GUPTA

Digitally signed by ANOOP KUMAR GUPTA
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pseudonym=bff5521e66181e9c1ff2d68e26361cff,
2.5.4.20=6B8719AD8F8379DBF5DDD5F838D6634
9ECB5FC0D664F3A0F5010E45F70B84A0E,
postalCode=110062, st=DELHI,
serialNumber=7cd99fa3c59517d8ae97b96334169
5e06cac378d1f4712037d8fe4b572d07ba3,
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Anoop Kumar Gupta
Joint Managing Director

Encl.: As above

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WORLD’S LARGEST RICE MILLERS & BASMATI RICE EXPORTERS

KRBL Limited

September 20, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial paper (carved out)*	500.00	CARE A1+ (A One Plus)	Reaffirmed
Total short-term instruments	**500.00 (₹ Five hundred crore only)**		

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

Detailed rationale and key rating drivers

The reaffirmation of the rating assigned to the commercial paper instrument of KRBL Limited (KRBL) continues to derive strength from the experienced promoters with a long track record of operations in the rice industry. The company has an established brand name and market position in the basmati rice industry both, in the domestic and export markets. It is backed by a robust selling and distribution network, integrated operations, and diversification in renewable energy segment as an alternate source of revenue. The rating also takes into consideration KRBL's in-house research and development (R&D) capabilities, strong market share in the Middle East countries with a premium pricing over the industry average, and the strong financial profile, marked by healthy profitability and comfortable solvency, and the strong liquidity position.

These rating strengths are, however, partially offset, by the inherently working capital-intensive nature of operations, driven by high inventory levels required to be maintained owing to the seasonality of the availability of basmati paddy (October to December). The sizeable inventory levels expose the company to inventory price risk, owing to the volatility in prices of both, basmati paddy and rice, which is cushioned by the premium pricing due to the ageing of inventory as well as KRBL's strong brand presence, the volatility in raw material prices, the vulnerability of trade due to changes in government policies as export accounts for a sizeable part of the revenues, the foreign exchange risk, and the fragmented nature of the industry.

CARE Ratings Limited (CARE Ratings) notes that the ongoing litigations and investigations did not have any material adverse impact on the company's operational and financial profiles, as reflected in the company's current healthy financial profile and strong liquidity position. Nonetheless, CARE Ratings will continue to monitor the developments in this matter and any adverse impact of the same on the credit profile of the company.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:
Not applicable

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

- Any further adverse developments with regard to the ED (Enforcement Directorate).
- Significant debt-funded capex resulting in a deterioration of the capital structure, with overall gearing increasing to more than 1.0x on a sustained basis.
- Adverse changes in the import policies of key importing countries affecting the prices of basmati rice and the profitability of the company.

Outlook: Not applicable

Detailed description of the key rating drivers

Key rating strengths

Long track record of operations in the basmati rice industry and strong brand presence and widespread distribution network: KRBL was incorporated in 1993 and has grown multi-fold both, in terms of revenue and operations. The company has 14 rice brands under its banner. 'India Gate', which is the flagship brand of the company, is quite popular in the Indian as well as in international markets and has derived 49% of its total revenue in FY22, which indicates a strong market presence and acceptability.

KRBL has a strong presence in international markets (75 countries) and the Middle East countries. It has a strong presence in Middle East countries such as Saudi Arabia, the UAE, Kuwait, Qatar, Oman, and Bahrain, among others. The Middle East region accounted for nearly 55% of KRBL's total export sales during FY22. The company is among the largest branded basmati rice player in these countries. Furthermore, the company's facilities are suitably located in Punjab, Uttar Pradesh, Haryana, and Delhi ensuring easy access to the key raw material, paddy, which is mainly procured during the harvest season (October to January).

KRBL, over time, has built up a strong distributor network both, in the domestic and international markets, with around more than 500 dealer-distributors all over India and has one distributor per country for its overseas markets, except in the US, where it has a distributor for every state. The company tagged more than 3 lakh retail outlets in over 750 cities. Additionally, it has

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

strong tie-ups with several domestic retail chains, including Food Bazaar, Spencer's, Dmart, Reliance Retail, Vishal MegaMart, NMart, VMart, Star Bazaar, Nature's Basket, etc. The company has recently collaborated with Zomato and Swiggy for doorstep delivery of products during the COVID-19-led lockdown.

Presence across the value chain:
Being India's first integrated rice-producing company with a comprehensive product chain and diversification in health foods, KRBL is one of the largest fully integrated rice companies. It has, over the years, developed its presence – right from seed development and distribution, the farming stage and milling of paddy, and selling of finished rice. It is engaged in the production of value-added by-products like bran oil, de-oiled cakes, and uses of rice husks for captive power plants and production of furfural. The company has a large base of contract farmers in the country, with around 95,000 farmers spread across about 250,000 acre. Over the years, the company has developed rice brands such as India Gate, Nur Jahan, Telephone, Train, Unity, and Bab Al Hind to meet the requirements of different categories of consumers.
KRBL is diversifying its product portfolio by including health foods in its portfolio. In FY17 and FY18, it launched new products like 'India Gate Quinoa', 'India Gate Sprouted Brown Rice', 'India Gate Flax Seed', and 'India Gate Chia Seed'. In April 2021, 'India Gate rice flour' was introduced in the domestic market. KRBL looks to promote healthy foods like brown rice and quinoa through digital advertising, where the target market will be high-income consumers.

Diversification in renewable energy and captive power: KRBL has been continuously expanding its presence in the value-added products and power business as a diversification measure. With its increasing focus on green manufacturing, KRBL had diversified into renewable energy. Its green energy portfolio stood at 146.94 MW as on March 31, 2022. Of the total power generated, around 23% was used for captive consumption. The diversification into power and renewable energy has not only helped KRBL to become self-sufficient in its captive requirements but has also emerged as a strong revenue earner for the company. The energy segment contributed 2.65% (PY: 2.33%) of the total revenue for FY22, while it contributed to 13% of the total profit-before-tax (PBT) (PY: 7%) in FY22. The company has saved its cost in power consumptions since a major portion of generation is utilized in captive consumption and the remaining is sold off to third parties.

Comfortable financial risk profile characterised by strong capital structure and strong debt protection metrics: The total operating income (TOI) witnessed a growth of 5% in FY22 and stood at ₹4,211 crore as against ₹3,992 crore in FY21. This growth was mainly on account of the surge in domestic sales, which rose to ₹2,635 crore in FY22 from ₹1,982 crore in FY21, a 33% upsurge. The domestic business had a record year with both, volume, and value sales however exports continued to get affected by rice volume sales declining by 10% and value by 24% due to the loss of sales from Saudi Arabia and Iran in FY22. The operating profitability margins witnessed degrowth and stood at 16.6% in FY22 (PY: 21.02%). In FY22, the margins declined due to a reduction in exports in the sale, which stood at ₹1,443 crore in FY22 as against ₹1,897 crore in FY21, which is a 24% shrinkage, where KRBL gets a higher realisation vis-à-vis domestic sale. The primary reason was the loss of an old distributor which hurdled the supply chain in the Saudi region. Lower export sales coupled with higher rice costs due to an increase in paddy prices weighed on the gross margins of KRBL. The earnings before interest, taxes, depreciation and amortisation (EBITDA) margin contracted owing to the compressed gross margin trend, combined with higher logistics costs (higher freight rates driven by a shortage of containers) and advertising costs.
The TOI grew from ₹1,016 crore in Q1FY22 to ₹1,228 crore in Q1FY23, which is a 21% increase y-o-y. The main contributors to this growth were the 'Unity' brand, which surged by more than 100% to ₹150 crore in quarterly revenue. Overall, rice sales realisation increased by 13% while volume increased by 7% over Q1FY22. The higher realisation was recorded across both, the domestic and export segments, which resulted in improved operating profitability in Q1FY23.

KRBL continues to have a comfortable solvency position, marked by an overall gearing (including acceptances) of 0.06x as on March 31, 2022, as against 0.13x as on March 31, 2021. The company has been generating healthy cash accruals during the past, thereby making it less reliant on external debt as seen in FY22 and FY21. The working capital borrowings were low as on March 31, 2022, primarily on account of sufficient working capital and cash accruals available with the company. The inventory levels were also lower as on March 31, 2022, vis-à-vis as on March 31, 2021 due to lower procurement of paddy by KRBL in Q3FY22 and Q4FY22. Furthermore, due to the generation of healthy accruals, the maximum working capital utilisation for the 12 months ended December 31, 2021, stood low, at 6.9% (PY: For the 12 months period ended December 31, 2021, was 19.19%). This exhibits a gradual reduction in the reliance on working capital borrowings for the day-to-day operations of the company. Most of the debt is in the form of a working capital facility owing to the high inventory-holding period. As an industry phenomenon, the debt increases with the commencement of the procurement of paddy in H2 every year and becomes significantly low by the end of H1 of the next financial year (resulting in negligible debt at the end of H1).

Key rating weaknesses
Working capital-intensive operations: Owing to the seasonality of rice harvest (October to December), the company has to maintain suitable raw material inventory to ensure uninterrupted production throughout the year. Since the majority of paddy pertaining to inventory of basmati rice needs to be aged, the rice needs to be stored for at least one year, since with ageing, the quality of rice improves and will attract a premium pricing. Thus, as per the inherent nature of the business, the working capital requirements of the company remains high. Of the total volume of inventory held by KRBL as on March 31, 2022, around 31% is paddy inventory and the rest is rice. KRBL's average inventory-holding levels decreased to 312 days in FY22 as against 348 days during FY21. As a result, the operating cycle of the company continued to remain moderately low, at 313 days in FY22 (334 days for FY21). Furthermore, the sizeable inventory levels expose the company to inventory price risk owing to the volatility in the prices of both, basmati paddy and rice, however, cushioned by the brand strength.

Vulnerability of agro-climatic risks and foreign exchange risks: The basmati rice processing industry is an agriculture-based industry and KRBL is exposed to agroclimatic risks such as raw material availability and its quality, which have a bearing on the prices of basmati rice. The cost and availability of basmati paddy is impacted by many factors such as inadequate irrigation facilities, unfavourable climate conditions, changes in crop patterns, and farmers' preferences for other crops that yield better realisation. Furthermore, KRBL earns a significant portion of its revenue from the export market, and as a result, is exposed to foreign exchange fluctuation risk. However, the company has robust foreign exchange risk policies in place and the majority of the forex exposure is hedged through forward contracts.

Vulnerability of international trade to changes in government policies: The paddy prices are regulated by the government to safeguard the interest of farmers, which limits the bargaining power of the rice mills over the farmers. Given the fact that the prices for finished products in the market is determined by the cost of raw materials is fixed by the Government of India (GoI) through the MSP mechanism, the profitability margins of the industry remain vulnerable, especially in times of low paddy cultivation when the GoI decides to prohibit export of rice or increases tariffs on export. KRBL factors any changes in paddy prices in the final pricing done to its customers. The company is exposed to changes in the trade policies of key importing countries, which can impact export revenues, considering KRBL is one of the leading exporters of basmati rice from India.

Intense competition and fragmented nature of the industry: The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganised sector with less product differentiation. There are several small scale operators that are not into end-to-end processing of rice from paddy, but instead, merely complete a small fraction of processing and dispose-off the semi-processed rice to other big rice millers for further processing. Furthermore, the concentration of rice millers around the paddy-growing regions makes the business intensely competitive and limits the pricing flexibility of the industry participants.

Liquidity: Strong

The liquidity position of the company remains strong, marked by low debt repayment and low utilisation of the working capital limits, which stood comfortable at 6.9% for the 12 months ending January 31, 2022. There is minimal term debt and minimal lease payments in KRBL. Furthermore, the current ratio stood at 7.39x as on March 31, 2022, from 4.67x on March 31, 2022, on account of higher inventory as well as lower working capital Utilization. The company has free cash and a bank balance of ₹378.51 crore in FY22 and a current investment of ₹20.79 crore in FY22. On account of the healthy accruals, the free cash and bank balance increased to ₹309.36 crore and mutual fund investments stood at ₹5.09 crore. Furthermore, the healthy cash accruals of the company enable it to fund its working capital as well as any capex requirements. The capacity expansion programme is underway for KRBL, where new manufacturing facilities are being set up in three states, namely, Karnataka, Madhya Pradesh, and Gujarat. The total capex before taking the benefit of any government capital subsidies is approximately ₹200 crore. Of this, approximately ₹15 crore was incurred in FY22, and the balance is expected to be incurred in the current financial year as well as in the next financial year out of internal accruals.

Analytical approach: Consolidated

The change in approach from 'Standalone' to 'Consolidated' was due to the fact that these entities are operationally integrated with KRBL and under the same management. As such, a large part of the business is conducted through KRBL, but these entities have strong linkages from the management and operational perspectives.

The subsidiaries comprise the following:

Name of the Subsidiary	Country of Incorporation	Shareholding (%) as on March 31, 2022
KRBL DMCC Group	UAE	100
KB Exports Private Limited	India	70

Applicable criteria

Policy on Default Recognition
Consolidation
Financial ratios – Non-financial sector
Liquidity analysis of non-financial sector entities
Rating outlook and credit watch
Short-term instruments
Manufacturing companies

About the company

KRBL in India's first integrated rice manufacturing company. It is the one of the largest rice producers in the world, with an installed manufacturing capacity of 195 metric tonne per hour. The company was incorporated in 1993 by Anil Mittal, Anoop Gupta, and Arun Gupta. The company produces both, basmati rice and non-basmati rice. It is also engaged in the manufacturing of by-products such as bran oil, furfural, de-oiled cakes, etc. The company predominantly manufactures, and markets branded rice products in India and across the globe. 'India Gate' is the flagship brand of the company and commands a premium in both, the Indian and international markets, contributing around 49% of KRBL's total income. The company also derives 3% of its revenue (₹110 crore) through electricity generation facilities from renewable energy sources such as wind turbine (112.25 MW), biomass power plant (17.59 MW), and solar power plant (17 MW). One third of the power generated is used towards captive consumption, whereas the remaining is sold.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	June 30, 2022 (UA)
TOI	3,993.53	4,222.76	1,239.26
PBILDT	825.59	675.08	242.46
PAT	560.29	460.04	164.45
Overall gearing (times)	0.13	0.06	NA
Interest coverage (times)	35.00	50.38	120.62

A: Audited, UA: Unaudited, NA: Not available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Disclosure of interest of independent/non-executive directors of CARE Ratings: Not applicable

Disclosure of interest of the Managing Director & CEO: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper-Commercial paper (carved out) - Proposed		-	-	-	500.00	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1.	Commercial paper-Commercial paper (carved out)	ST	500.00	CARE A1+	-	1)CARE A1+ (September 21, 2021)	1)CARE A1+ (CWN) (February 02, 2021) 2)CARE A1+ (December 03, 2020) 3)CARE A1+ (CWN) (September 07, 2020)	1)CARE A1+ (CWN) (November 22, 2019) 2)CARE A1+ (CWN) (September 06, 2019) 3)CARE A1+ (CWN) (July 15, 2019)

*Long term/short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

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

Sr. No.	Name of Instrument	Complexity Level
1.	Commercial paper-Commercial paper (carved out)	Simple

Annexure-5: Bank lender details for this company
Click here to view the bank lender details.

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in