



KANORIA CHEMICALS & INDUSTRIES LIMITED

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3rd February, 2017

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,

Sub: Credit Rating

This is to inform that Credit Analysis & Research Ltd. ("CARE") has revised the credit rating for the long term bank facilities of the Company to CARE A+ (Single A Plus) from the existing rating of CARE AA- (Double A Minus). A copy of the Press Release issued by CARE in this regard is attached herewith,

The existing credit ratings for the short term bank facilities and Commercial Paper have been reaffirmed as CARE A1+ (A One Plus).

Thanking you,

For Kanoria Chemicals & Industries Limited

N K Sethia
Company Secretary

Encl. as above

Kanoria Chemicals & Industries Limited

January 30, 2017

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Facilities			
Long-term bank facilities	45.75 (reduced from Rs.64.0)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE AA- (Double A minus)
Short-term bank facilities	40.00	CARE A1+ (A One Plus)	Reaffirmed
Long/Short-term bank facilities	14.00	CARE A+; Stable/CARE A1+ (Single A Plus; Outlook: Stable)/(A One Plus)	Revised from CARE AA-(Double A Minus) and reaffirmed CARE A1+ (A One Plus)
Total	99.75 (Rs. Ninety Nine crore and Seventy Five Lacs)		
Instruments			
Commercial Paper	40.00 (Rs. Forty crore only)	CARE A1+ (A One Plus)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in long term rating takes into account the continuous decline in its portfolio of surplus liquid funds and increasing exposure in the subsidiary companies with relatively weak credit profile.

The rating however continues to draw comfort from experienced promoters, long & successful track record, and satisfactory capital structure. The rating is constrained by volatility in the input prices; and concentration of business risk profile to alco-chemicals.

Ability of the company to successfully stabilize and operate its overseas subsidiaries and generating profits in such companies (subsidiaries) shall be critical. Further KCIL's ability to maintain its capital structure, backed by its portfolio of surplus liquid funds shall remain the key rating sensitivities.

Detailed description of the key rating drivers

The company has investment in subsidiary companies (in the form of Investment and Loans & Advances) amounting to Rs.173.7 crore as on Mar'16 (Rs.129.0 crore as on Mar'15) accounting for 34.5% (26.3% in FY15) of its networth. Further, KCIL has extended corporate guarantee (Rs.162.1 crore outstanding as on March 31, 2016) for loans availed by subsidiary companies.

Majority of the exposure is in Kanoria Africa Textile PLC, Ehtopia (KAT), which commenced commercial operation in April 2016. KAT has setup a textile unit (capacity – 12 mn mtr of denim) in Ethiopia. The project commissioned operations in April 2016 and is currently operating at lower utilization levels owing to the same being in the initial stage of operation. Since KCIL has extended corporate guarantee for loans availed by KAT, CARE believes that KCIL would continue to extend financial support in the future.

Further, KCIL investment of Rs.91.12 crore till March 31, 2016 (Rs.69.9 crore in FY15) APAG Holding Switzerland (AHA), which is engaged in development and sale of electronic and mechatronic modules and control devices for automotive industry. The company incurred loss in FY16 on account of inventory & fixed assets write off and forex fluctuations.

The company had surplus liquid funds of Rs.132.2 crore as on Sep.30, 2016

Analytical approach: Standalone. Exposure to subsidiaries has also been factored in the rating.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for manufacturing companies

Financial Ratios - Non-Financial Sector

Criteria for Short Term Instruments

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

About the Company

Kanoria Chemicals & Industries Ltd. (KCIL), promoted by Mr S. S. Kanoria about five decades ago, is the flagship company of Mr S. S. Kanoria faction of Kolkata based Kanoria family.

In May, 2011, the company sold off its Chloro Chemicals Division together with power plant at Renukoot, Uttar Pradesh and Salt Works at Gujarat, by way of slump sale, for a cash consideration of Rs.830 crore, to Aditya Birla Chemicals (India) Limited.

Presently, the company has two manufacturing facilities, one at Ankleshwar, Gujarat, which manufactures Alcohol and Alcohol based intermediates; and second at Visakhapatnam, Andhra Pradesh, which manufactures Formaldehyde and Hexamine. Further, the company has a solar power plant of 5.0 MW capacity in Jodhpur, Rajasthan. These apart, the company has also invested in subsidiaries engaged in other line of business.

KCIL has achieved an operating income of Rs.312 crore and a PAT of Rs 21.3 crore in FY16 as against respective figures of Rs.325.1 crore and a PAT of Rs.15.3 crore in FY15. During the six months ended Sep.30, 2016, the company reported a PAT of Rs.9.7 crore on a total operating income of Rs.151.1 crore.

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****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.

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
Term Loan-Long Term	-	-	September 2017	20.75	CARE A+; Stable
Non-Fund Based - ST-BG/LC	-	-	-	40.00	CARE A1+
Fund Based - LT-Cash Credit	-	-	-	25.00	CARE A+; Stable
Fund Based/Non Fund Based-LT/ST	-	-	-	14.00	CARE A+; Stable / CARE A1+
Commercial Paper	-	-	Upto 364 days	40.00	CARE A1+

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	20.75	CARE A+; Stable	-	1)CARE AA- (07-Oct-15)	1)CARE AA- (12-Dec-14)	1)CARE AA- (06-Mar-14)
2.	Non-Fund Based - ST-BG/LC	ST	40.00	CARE A1+	-	1)CARE A1+ (07-Oct-15)	1)CARE A1+ (12-Dec-14)	1)CARE A1+ (06-Mar-14)
3.	Commercial Paper	ST	40.00	CARE A1+	-	1)CARE A1+ (07-Oct-15)	1)CARE A1+ (12-Dec-14)	1)CARE A1+ (06-Mar-14)
4.	Fund Based - LT-Cash Credit	LT	25.00	CARE A+; Stable	-	1)CARE AA- (07-Oct-15)	1)CARE AA- (12-Dec-14)	1)CARE AA- (06-Mar-14)
5.	Fund Based/Non Fund Based-LT/ST	LT/ST	14.00	CARE A+; Stable / CARE A1+	-	1)CARE AA- / CARE A1+ (07-Oct-15)	1)CARE AA- / CARE A1+ (12-Dec-14)	1)CARE AA- / CARE A1+ (06-Mar-14)
6.	Non-Fund Based - LT-Letter of credit	LT	-	-	-	1)Withdrawn (07-Oct-15)	1)CARE AA- (12-Dec-14)	1)CARE AA- (06-Mar-14)

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