

KPL/2018-19/BSE
02/06/2018



Bombay Stock Exchange Ltd. 1 st floor New Trading Ring Rotunda Building P.J.Towers Dalal Street, Fort MUMBAI - 400 001 Scrip Code : 530299	National Stock Exchange of India Ltd. Exchange Plaza, 5 th floor Plot No. C/1, G Block, Bandra Kurla Complex Bandra (E) MUMBAI - 400 051 Scrip Code : KOTHARIPRO
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Sub : **Submission of Information under Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015**

Dear Sir,

With reference to the captioned subject we wish to inform you that the Credit Analysis & Research Limited (CARE) has revised the long term and Short term credit rating of the Company as per its letter attached herewith.

Further, the aforesaid CARE has also revised the credit rating of one of its 100% Subsidiary Company - KPL Exports Pvt. Ltd. as per its letter attached herewith.

Please take the above informations on records.

Thanking you,

Yours faithfully,
For KOTHARI PRODUCTS LTD.

A handwritten signature in black ink, appearing to be 'Raj Kumar Gupta', written over a circular stamp.

(RAJ KUMAR GUPTA)
CS & COMPLIANCE OFFICER
FCS - 3281
Address :
"Pan Parag House
24/19, The Mall,
Kanpur



Encl: as above

Regd. Off. : " Pan Parag House", 24/19, The Mall, Kanpur - 208 001 (INDIA)
Phone : +91 512 2312171-72-73-74 • Fax: +91 512 2312058
E-mail: kothari@panparag.com • Website : www.kothariproducts.in
CIN No. - L 16008 UP 1983 PLC 006254

CARE/DRO/RL/2018-19/1572
Mr. Ravinder Kumar Verma
Manager - Banking & Finance
Kothari Products Limited
Pan Parag House, 24/ 19, The Mall,
Kanpur, Uttar Pradesh – 208 001

May 31, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (A), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities	4.50	CARE BBB+; Stable [Triple B Plus, Outlook: Stable]	Revised from CARE A-; Stable [Single A Minus, Outlook: Stable]
Short Term Bank Facilities	1495.50	CARE A2 [A Two]	Revised from CARE A2+ [A Two Plus]
Total	1500.00 (Rupees one thousand and five hundred crore only)		

1. Refer Annexure 1 for details of rated facilities.
2. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure-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

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

as early as possible. In any case, if we do not hear from you by June 1, 2018, we will proceed on the basis that you have no any comments to offer.

3. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
4. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
5. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
6. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
7. CARE ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.

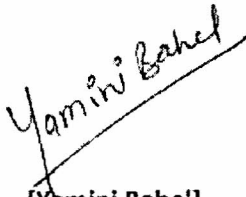
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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



[Yamini Bahel]
Analyst
yamini.bahel@careratings.com



[Ajay Dhaka]
Senior Manager
ajay.dhaka@careratings.com

Encl.: As above

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 Rated Facilities

1. Long-term facilities

Fund Based limits (Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits	
		CC*	Total fund-based limits
1	Allahabad Bank	1.50	1.50
2	Bank of India	1.00	1.00
3	Canara Bank	1.00	1.00
4	UCO Bank	1.00	1.00
	TOTAL	4.50	4.50

*CC=Cash credit

Total long-term facilities: Rs. 4.50 crore

2. Short-term facilities

Fund based limits (Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits		
		EPC/PCFC*	FBP	Total fund-based limits
1	Allahabad Bank	26.00	12.50	38.50
2	Bank of India	24.00	-	24.00
3	Canara Bank	9.00	-	9.00
4	UCO Bank	10.00	-	10.00
5	Indian Overseas Bank	10.00	-	10.00
6	Andhra Bank	5.00	-	5.00
7	State Bank of India	-	9.00	9.00
8	Proposed	10.00	-	10.00
	Total	94.00	21.50	115.50

*EPC=Export packing credit; PCFC= Packing credit in foreign currency; FBP=Foreign bill purchase;

Non-fund based limits (Rs. crore)

Sr. No.	Name of Bank	Non Fund Based Limits	
		LCs/ BGs*	Tenure as per sanction letter
1	Allahabad Bank	435.00	180 days
2	Bank of India	285.00	180 days
3	Punjab National Bank	210.00	180 days
4	Canara Bank	80.00	180 days
5	State Bank of India	100.00	180 days
6	UCO Bank	30.00	180 days

Sr. No.	Name of Bank	Non Fund Based Limits	
		LCs/ BGs*	Tenure as per sanction letter
7	Andhra Bank	50.00	180 days
8	Indian Overseas Bank	100.00	180 days
9	Proposed	90.00	-
	TOTAL	1380.00	

*LC=Letter of credit; BG=Bank guarantee

Total short-term facilities: Rs.1495.50 crore

Total facilities rated: Rs.1500.00 crore

**Annexure 2
Press Release**

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Remarks
Long Term Bank Facilities	4.50	CARE BBB+; Stable [Triple B Plus, Outlook: Stable]	Revised from CARE A-; Stable [Single A Minus, Outlook: Stable]
Short Term Bank Facilities	1495.50	CARE A2 [A Two]	Revised from CARE A2+ [A Two Plus]
Total	1500.00 (Rupees one thousand and five hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Kothari Products Limited (KPL) takes into account deterioration in the company's financial performance marked by reduction in profit margins resulting in lower gross cash accruals, moderation in liquidity position and significant increase in the debt levels during FY18 (refers to the period from April 1 to March 31). The ratings continue to derive strength from the extensive experience of promoters in the trading business, the company's long track record and large scale of operations, diversified product range and limited inventory risk due to back to back trading arrangements. Furthermore, the ratings continue to factor in the KPL's moderate financial risk profile characterized by its moderate gearing as well as debt coverage indicators. However, the ratings are constrained by the company's high exposure to the group entities in the form of loans & advances, investments and corporate guarantees, working capital intensive operations and susceptibility of its profitability margins to foreign exchange rates. The ratings also factor in the company's high customer concentration, though the same is mitigated to some extent by its established relationship with the customers.

Going forward, the ability of KPL to improve its profitability margins while effectively managing the fluctuation in commodity prices and exchange rates and maintain a moderate capital structure would be the key rating sensitivity. Further, the impact of the company's exposure towards its group entities on KPL's credit profile would also be crucial.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and KPL's long track record of operations: Incorporated in 1973, KPL is the flagship company of Mr. Deepak Kothari controlled Kothari group. Mr. Deepak Kothari has over four

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

decades of experience in handling several businesses. The company's long track record coupled with extensive experience of the promoters has enabled to develop established relationships with customers and suppliers.

Diversified product profile and limited inventory risk: The company undertakes international trade of various products and commodities which include agro based commodities, coal, construction material like tile, machines and spares, scrap and PVC, electronic parts & equipments, storage devices, crude palm oil, etc. Most of the trading activities undertaken by KPL are characterized by back to back sales arrangements; therefore the inventory holding period is very less as reflected by inventory days of 11 days as on March 31, 2017 (PY: 12 days).

Moderate financial risk profile: On a consolidated basis, KPL's overall gearing stood comfortable at 0.52x on March 31, 2018 (PY: 0.30x), driven by healthy net worth base of Rs.1,012.60 crore. Interest coverage continued to remain moderate at 2.58x in FY18 (PY: 2.27x). However, total debt to GCA deteriorated to 10.10x on March 31, 2018 (PY: 3.38x), owing to higher total debt and lower GCA due to reduction in margins.

Key Rating Weaknesses

Decline in profitability margins and cash accruals: KPL's consolidated PBILDT margins declined to 1.82% in FY18 from 2.78% in FY17 largely on account of significant forex loss and lower interest income. Consequently, PAT margins also reduced to 0.87% in FY17 (PY: 1.20%) despite lower interest expenses. Decline in profitability led to significant reduction in gross cash accruals to Rs.52.31 crore in FY18 from Rs.83.50 crore in FY17.

Moderation in liquidity position: On a standalone basis, KPL's liquid investments in mutual funds fell to Rs.3.48 crore on March 31, 2018 (PY: Rs.12.35 crore). Moreover, the unencumbered cash and bank balance declined to Rs.12.67 crore as on March 31, 2018 (PY: Rs.54.45 crore as on March 31, 2017). Total liquid investments and bank deposits reduced to Rs.592.07 crore as on March 31, 2018 (PY: Rs.1,221.74 crore), thereby reflecting moderation in KPL's liquidity position.

Working-capital intensive operations: Though, the operating cycle of the company is negative as on March 31, 2018, it has high reliance on the non-fund based limits for meeting its working capital requirements. KPL extends a credit period of up to 165 days to the buyers, while it opens L/C with a usance period of 180 days. Therefore, the company has sufficient cushion for payment of L/C in case there is some delay from the debtors.

High exposure to group companies: KPL has extended corporate guarantees to the tune of Rs.420 crore as on March 31, 2017 (PY: Rs.383 crore) to its various group entities. In addition to corporate guarantees, KPL also had an exposure towards its various group entities in the form of advances and investments. Going forward, any significant increase in group exposure may adversely impact the credit profile of the company would remain a key credit monitorable.

Foreign exchange fluctuation risk: Being in the business of international trade involving various foreign currencies, KPL remains exposed to risk related to fluctuation in foreign currency. However, the forex risk is in-build in the company's business model and it decides margins after factoring in the said risk. Moreover, the company has policy of hedging about 60-70% of its forex exposure. On a standalone basis, the company reported forex loss of Rs.46.93 crore in FY18 vis-à-vis gain of Rs.12.55 crore in FY17.

Analytical approach: Consolidated

Since, KPL and majority of its wholly owned subsidiaries are engaged into similar business of international trading, a consolidated approach has been considered in the credit risk assessment.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

About the Company

Kothari Products Limited (KPL) was set up as a partnership firm by Mr. M.M. Kothari and family in 1973. It was originally engaged in manufacturing of Pan Masala and Gutka under the brand 'Pan Parag'. KPL was reconstituted as a public limited company in 1994. However, in 1999, the group was divided and KPL was taken over by Mr. Deepak Kothari. With effect from November 2008, the 'Pan Masala' business was demerged into a separate entity, Pan Parag India Limited, managed by Mr. Deepak Kothari.

KPL is primarily engaged in International trading of various products and commodities which include coal, agro based commodities, edible oil, steel, tiles and polyvinyl chloride (PVC). The company along with its subsidiaries and other group entities is also engaged in real estate development and leasing (0.48% share in total sales in FY18).

Brief Financials (Consolidated) (RS crore)	FY17 (A)	FY18 (A)
Total operating income	6324.53	6379.50
PBILD ^T	175.58	115.87
PAT	75.72	55.35
Overall gearing [^] (times)	0.30	0.52
Interest coverage (times)	2.27	2.58

A: Audited [^]excluding acceptances/creditor on LCs

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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.

Analyst Contact

Name: Mr. Ajay Dhaka

Tel: 011-45333218

Mobile: +91 88268 68795

Email: ajay.dhaka@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.

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	-	-	-	4.50	CARE BBB+; Stable
Fund-based - ST-EPC/PSC	-	-	-	115.50	CARE A2
Non-fund-based - ST-BG/LC	-	-	-	1380.00	CARE A2

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	4.50	CARE BBB+; Stable	-	1)CARE A-; Stable (20-Sep-17)	1)CARE A- (12-Oct-16)	1)CARE A- (15-Oct-15)
2.	Fund-based - ST-EPC/PSC	ST	115.50	CARE A2	-	1)CARE A2+ (20-Sep-17)	1)CARE A2+ (12-Oct-16)	1)CARE A2+ (15-Oct-15)
3.	Non-fund-based - ST-BG/LC	ST	1380.00	CARE A2	-	1)CARE A2+ (20-Sep-17)	1)CARE A2+ (12-Oct-16)	1)CARE A2+ (15-Oct-15)

CARE/DRO/RL/2018-19/1573

Mr. Ravinder Kumar Verma
Manager - Banking & Finance
KPL Exports Private Limited
Pan Parag House, 24/ 19, The Mall,
Kanpur, Uttar Pradesh – 208 001

May 31, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of KPL Exports Private Limited and Kothari Products Limited (KPL) for FY18 (A), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Short Term Bank Facilities	315.00	CARE A2(SO) [A Two (Structured Obligation)]	Revised from CARE A2+(SO) [A Two Plus (Structured Obligation)]
Short Term Bank Facilities (Proposed)	185.00	Provisional CARE A2(SO) [A Two (Structured Obligation)]	Revised from Provisional CARE A2+(SO) [A Two Plus (Structured Obligation)]
Total	500.00 (Rupees five hundred crore only)		

2. Refer Annexure 1 for details of rated facilities.
3. The above ratings are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by KPL. The rating for the proposed facilities is "Provisional" subject to the execution of corporate guarantee.

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

4. The rationale for this rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure 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 June 1, 2018, we will proceed on the basis that you have no any comments to offer.
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7. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

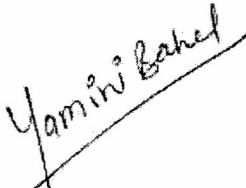
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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

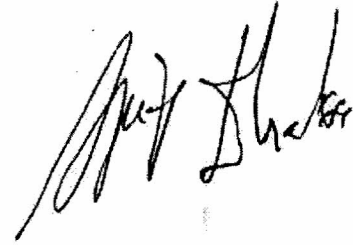
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



[Yamini Bahel]
Analyst
yamini.bahel@careratings.com



[Ajay Dhaka]
Senior Manager
ajay.dhaka@careratings.com

Encl.: As above

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**Annexure 1
Details of Rated Facilities**

1. Short-term facilities

Fund based Limits

(Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits	
		EPC/PCFC*	Total fund-based limits
1	Canara Bank	5.00	5.00
2	Allahabad Bank	10.00	10.00
3	Proposed	10.00	10.00
	Total	25.00	25.00

*EPC=Export packing credit; PCFC= Packing credit in foreign currency;

Non - Fund Based limits

(Rs. crore)

Sr. No.	Name of Bank	Non Fund Based Limits	
		LCs/ BGs*	Tenure as per sanction letter
1	Canara Bank	100.00	180 days
2	Punjab National Bank	100.00	180 days
3	Allahabad Bank	100.00	180 days
9	Proposed	175.00	-
	TOTAL	475.00	

*LC=Letter of credit; BG=Bank guarantee

Total short-term facilities: Rs.500.00 crore

Total facilities rated: Rs.500.00 crore

**Annexure 2
Press Release**

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short-term Bank Facilities*	315.00	CARE A2(SO) [A Two (Structured Obligation)]	Revised from CARE A2+(SO) [A Two Plus (Structured Obligation)]
Short-term Bank Facilities (Proposed)@	185.00	Provisional CARE A2(SO) [A Two (Structured Obligation)]	Revised from Provisional CARE A2+(SO) [A Two Plus (Structured Obligation)]
Total Facilities	500.00 (Rupees Five Hundred Crore only)		

Details of instruments/facilities in Annexure-1

**backed by unconditional & irrevocable corporate guarantee provided by Kothari Products Limited (KPL; rated 'CARE BBB+;Stable' and 'CARE A2')*

@rating for the proposed facilities is "Provisional" and will be confirmed upon the execution of the corporate guarantee and submission of requisite documents to the satisfaction of CARE.

Detailed Rationale & Key Rating Drivers

The above ratings are based on credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by KPL for the bank facilities of KPL Exports Private Limited (KEPL).

The revision in the ratings factor in moderation in the credit profile of Kothari Products Limited (KPL) due to deterioration in the company's financial performance marked by reduction in profit margins resulting in lower gross cash accruals and moderation in liquidity position and significant increase in the debt levels during FY18 (refers to the period from April 1 to March 31). The ratings continue to derive strength from the extensive experience of promoters in the trading business, the company's long track record and large scale of operations, diversified product range and limited inventory risk due to back to back trading arrangements. Furthermore, the ratings continue to factor in the KPL's moderate financial risk profile characterized by its moderate gearing as well as debt coverage indicators. However, the ratings are constrained by the company's high exposure to the group entities in the form of loans & advances, investments and corporate guarantees, working capital intensive operations and susceptibility of its profitability margins to foreign exchange rates. The ratings also factor in the company's high customer concentration, though the same is mitigated to some extent by its established relationship with the customers.

Going forward, the ability of KPL to improve its profitability margins while effectively managing the fluctuation in commodity prices and exchange rates and maintain a moderate capital structure would be the key rating sensitivity. Further, the impact of the company's exposure towards its group entities on KPL's credit profile would also be crucial.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and KPL's long track record of operations: Incorporated in 1973, KPL is the flagship company of Mr. Deepak Kothari controlled Kothari group. Mr. Deepak Kothari has over four decades of experience in handling several businesses. The company's long track record coupled with extensive experience of the promoters has enabled to develop established relationships with customers and suppliers.

Diversified product profile and limited inventory risk: The company undertakes international trade of various products and commodities which include agro based commodities, coal, construction material like tile, machines and spares, scrap and PVC, electronic parts & equipments, storage devices, crude palm oil, etc. Most of the trading activities undertaken by KPL are characterized by back to back sales arrangements; therefore the inventory holding period is very less as reflected by inventory days of 11 days as on March 31, 2017 (PY: 12 days).

Moderate financial risk profile: On a consolidated basis, KPL's overall gearing stood comfortable at 0.52x on March 31, 2018 (PY: 0.30x), driven by healthy net worth base of Rs.1,012.60 crore. Interest coverage continued to remain moderate at 2.58x in FY18 (PY: 2.27x). However, total debt to GCA deteriorated to 10.10x on March 31, 2018 (PY: 3.38x), owing to higher total debt and lower GCA due to reduction in margins.

Key Rating Weaknesses

Decline in profitability margins and cash accruals: KPL's consolidated PBILDT margins declined to 1.82% in FY18 from 2.78% in FY17 largely on account of significant forex loss and lower interest income. Consequently, PAT margins also reduced to 0.87% in FY17 (PY: 1.20%) despite lower interest expenses. Decline in profitability led to significant reduction in gross cash accruals to Rs.52.31 crore in FY18 from Rs.83.50 crore in FY17.

Moderation in liquidity position: On a standalone basis, KPL's liquid investments in mutual funds fell to Rs.3.48 crore on March 31, 2018 (PY: Rs.12.35 crore). Moreover, the unencumbered cash and bank balance declined to Rs.12.67 crore as on March 31, 2018 (PY: Rs.54.45 crore as on March 31, 2017). Total liquid investments and bank deposits reduced to Rs.592.07 crore as on March 31, 2018 (PY: Rs.1,221.74 crore), thereby reflecting moderation in KPL's liquidity position.

Working-capital intensive operations: Though, the operating cycle of the company is negative as on March 31, 2018, it has high reliance on the non-fund based limits for meeting its working capital requirements. KPL extends a credit period of up to 165 days to the buyers, while it opens L/C with a usance period of 180 days. Therefore, the company has sufficient cushion for payment of L/C in case there is some delay from the debtors.

High exposure to group companies: KPL has extended corporate guarantees to the tune of Rs.420 crore as on March 31, 2017 (PY: Rs.383 crore) to its various group entities. In addition to corporate guarantees, KPL also had an exposure towards its various group entities in the form of advances and

investments. Going forward, any significant increase in group exposure may adversely impact the credit profile of the company would remain a key credit monitorable.

Foreign exchange fluctuation risk: Being in the business of international trade involving various foreign currencies, KPL remains exposed to risk related to fluctuation in foreign currency. However, the forex risk is in-built in the company's business model and it decides margins after factoring in the said risk. Moreover, the company has policy of hedging about 60-70% of its forex exposure. On a standalone basis, the company reported forex loss of Rs.46.93 crore in FY18 vis-à-vis gain of Rs.12.55 crore in FY17.

Analytical approach: Consolidated

Since, KPL and its wholly owned subsidiaries are engaged into similar business of international trading, a consolidated approach has been considered in the credit risk assessment.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

About the Company

Incorporated in April 2008, KEPL is a wholly owned subsidiary of KPL. KEPL is a part of Kothari group which is promoted by Mr. Deepak Kothari. KEPL is engaged in the same business as KPL i.e. international trading of coal, edible oil, construction material, machines and spares etc. The entire management team and client base are common for both the companies. KEPL is mainly engaged in international merchant trade in which KEPL enters into sale agreement with the overseas buyer and subsequently enters into purchase agreement with the overseas supplier. The sales arrangement is completely back to back, i.e. the company enters into purchase agreement only after entering into sales agreement.

Brief Financials (Consolidated) (Rs. crore)	FY17 (B)	FY18 (A)
Total operating income	6324.53	6379.50
PBILDT	175.58	115.87
PAT	75.72	55.35
Overall gearing ^A (times)	0.30	0.52
Interest coverage (times)	2.27	2.58

A: Audited ^Aexcluding acceptances/creditor on letter of credit

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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.

Analyst Contact

Name: Mr. Ajay Dhaka

Tel: 011-45333218

Mobile: +91 88268 68795

Email: ajay.dhaka@careratings.com

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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

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 - ST-EPC/PSC	-	-	-	15.00	CARE A2 (SO)
Non-fund-based - ST-BG/LC	-	-	-	300.00	CARE A2 (SO)
Fund-based - ST-EPC/PSC	-	-	-	10.00	Provisional CARE A2 (SO)
Non-fund-based - ST-BG/LC	-	-	-	175.00	Provisional CARE A2 (SO)

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 - ST-EPC/PSC	ST	15.00	CARE A2 (SO)	-	1)CARE A2+ (SO) (20-Sep-17)	1)CARE A2+ (SO) (12-Oct-16)	1)CARE A2+ (SO) (16-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	300.00	CARE A2 (SO)	-	1)CARE A2+ (SO) (20-Sep-17)	1)CARE A2+ (SO) (12-Oct-16)	1)CARE A2+ (SO) (16-Oct-15)
3.	Fund-based - ST-EPC/PSC	ST	10.00	Provisional CARE A2 (SO)	-	1)Provisional CARE A2+ (SO) (20-Sep-17)	1)Provisional CARE A2+ (SO) (12-Oct-16)	1)Provisional CARE A2+ (SO) (16-Oct-15)
4.	Non-fund-based - ST-BG/LC	ST	175.00	Provisional CARE A2 (SO)	-	1)Provisional CARE A2+ (SO) (20-Sep-17)	1)Provisional CARE A2+ (SO) (12-Oct-16)	1)Provisional CARE A2+ (SO) (16-Oct-15)