

No. CARE/DRO/RL/2020-21/3495

Mr. Rakesh Mehrotra

Chief Financial Officer,

KRBL Limited

C-32, 5th Floor, Sector -62

Noida,

Gautam Budh Nagar - 201301

February 02, 2021

Confidential

Dear Sir,

Credit rating for Commercial Paper (CP) issue aggregating Rs.500.00 crore¹

On the basis of recent developments including operational and financial performance of your company for FY20 and the recent arrest of the Joint MD by the Enforcement Directorate and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following rating:

Instrument	Amount (Rs. crore)	Rating ²	Rating Action
Commercial Paper (Carved out)*	500.00	CARE A1+ (Under Credit watch with Negative Implications) (A One Plus) (Under Credit watch with Negative Implications)	Placed on Credit watch with Negative Implications
Total Instruments	500.00 (Rs. Five Hundred Crore Only)		

*carved out of the sanctioned working capital limits of the company.

- The CP issue would be for a maturity not exceeding one year.
- CARE will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.
- Please arrange to get the rating revalidated in case the issue is not made within **two months** from the date of this letter i.e. by April 01, 2021. Once the CP is placed, the rating is valid for the tenure of such instrument till redemption.

¹ This represents the aggregate of all CP issuances of the company outstanding at any point in time.

² Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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5. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr.)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Trustee/IPA	Details of top 10 investors
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6. 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/by end of the day, a draft of which is enclosed for your perusal as **Annexure**. 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 February 02, 2021, we will proceed on the basis that you have no any comments to offer.
7. 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.
8. CARE reserves the right to revise/reaffirm/withdraw the rating assigned 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 debt instruments, CARE shall carry out the review on the basis of best available information throughout the life time of such instruments. 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.
9. 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.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

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

CARE Ratings Ltd.

Thanking you,

Yours faithfully,



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Associate Director
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Encl.: As above

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.

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Annexure
KRBL Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Commercial Paper (Carved out)*	500.00	CARE A1+ (Under Credit watch with Negative Implications) (A One Plus) (Under Credit watch with Negative Implications)	Placed on Credit watch with Negative Implications
Total Short Term Instruments	500.00 (Rs. Five Hundred Crore Only)		

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

Detailed Rationale & Key Rating Drivers

CARE has placed the rating of KRBL Limited (KRBL) on credit watch with negative implications as the Enforcement Directorate (ED) has arrested Mr. Anoop Gupta, the Joint Managing Director of KRBL on January 30, 2021 in connection with its money laundering probe into the AgustaWestland scam. CARE will continue to monitor the developments in this regard and will take a view on the rating, once the exact implications of the above on the credit risk profile of the company are clear.

Further, CARE is also continuously monitoring the developments on other ongoing legal case wherein the ED has attached assets of KRBL under Prevention of Money Laundering Act, 2002 (PMLA) in connection with 2008 Embraer deal case.

Key Rating Sensitivities

Negative Factors

- Any adverse development in relation to the ongoing legal cases.
- Significant debt-funded capex resulting in deterioration of capital structure with overall gearing increasing more than 1.0x on a sustained basis.
- Adverse changes in import policies of key importing countries affecting the prices of Basmati rice and profitability of the company.

Detailed Description of the Key Rating Driver

The ED has arrested the Joint Managing Director of KRBL- Mr. Anoop Gupta in connection with its money laundering probe into VVIP choppers purchase (AgustaWestland) scam case, on January 30, 2021. As per media reports, ED in its remand application stated that approximately Euro 70 million proceeds of crime were laundered through two channels for payment of kickbacks to various political persons, bureaucrats, Air Force officials and others to influence the contract for supply of 12 VVIP helicopters in favour of Anglo-Italian firm – AgustaWestland. Further the proceeds of the crime was also received in Rawasi Al Khaleej General Trading (RAKGT) LLC Dubai which was incorporated in 2007 by KRBL DMCC, Dubai (a 100% subsidiary of KRBL Ltd) and Mr. Anoop Gupta was also one of the director of this company. However, CARE is awaiting more clarity with regard to aforesaid issue and may take a view on the rating of KRBL once further clarity emerges on the same.

Further, with respect to the Embraer deal case, the ED in December 2020 had filed a charge sheet before a special Prevention of Money Laundering Act (PMLA) court and has named Embraer SA, Brazil, Interdev Aviation Services Pte Ltd, KRBL Limited, Anoop Kumar Gupta (director of KRBL Limited), Anurag Potdar (nephew of Anoop Kumar Gupta) and others. The investigation conducted so far has resulted in the issuance of provisional attachment order of proceeds of crime in the form of immovable properties worth Rs 16.29 crore

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belonging to KRBL Ltd. The provisional attachment order has been confirmed by the Adjudicating Authority under PMLA. However, as per the Delhi High Court order dated October 23, 2020, the company was allowed to use the above mentioned land.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

KRBL Limited (KRBL) was incorporated in 1993 by Mr. Anil K. Mittal, Mr. Anoop K. Gupta and Mr. Arun K. Gupta. The promoters have been involved into this business since 1889 under the name of Khushi Ram & Behari Lal.

KRBL is one of the largest fully integrated domestic rice players with an installed manufacturing capacity of 195 Metric Tonnes per hour (TPH). The company is engaged in the production and marketing of Basmati rice and is also engaged in seed development and multiplication and contract farming. Being an integrated player, it also generates value-added by-products like brain oil, de-oiled cakes and uses rice husks for captive power plant. The company also derives around 3% of its revenue through electricity generation. It has 144.84 MW of renewable power generation capacity through wind turbine (114.35 MW), biomass power plant (17.59 MW) & solar power plant (15 MW). One-third of the power generated is used towards captive consumption whereas the remaining is sold. However, KRBL is now evaluating to demerge this segment into a new company.

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

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	4126.59	4514.51
PBILDT	857.30	887.64
PAT	503.27	559.41
Overall gearing (times)	0.57	0.28
Interest coverage (times)	12.69	14.22

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

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
Commercial Paper- Commercial Paper (Carved out)	-	-	-	500.00	CARE A1+ (Under Credit watch with Negative Implications)

Annexure-2: Rating History of last three years

Sr.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Commercial Paper- Commercial Paper (Carved out)	ST	500.00	CARE A1+ (Under Credit watch with Negative Implications)	1)CARE A1+ (03-Dec-20) 2)CARE A1+ (Under Credit watch with Negative Implications) (07-Sep-20)	1)CARE A1+ (Under Credit watch with Negative Implications) (22-Nov-19) 2)CARE A1+ (Under Credit watch with Negative Implications) (06-Sep-19) 3)CARE A1+ (Under Credit watch with Negative Implications) (15-Jul-19)	1)CARE A1+ (27-Sep-18)	1)CARE A1+ (26-Dec-17) 2)CARE A1+ (05-Dec-17) 3)CARE A1+ (27-Sep-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Carved out)	Simple

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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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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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