



Dated: April 20, 2023

To
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400051, Maharashtra

Symbol: KNAGRI

Sub: Intimation of Credit Rating

Dear Sir/Ma'am,

With reference to the captioned subject, and pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure requirements) Regulations 2015, please find enclosed the rating published on April 19, 2023 by CRISIL Ratings Limited on the Bank Loan facilities of the Company.

Kindly take the same on your records.

Thanking You,

Yours Sincerely,
For KN Agri Resources Limited


Akshat Sharma
Company Secretary



Encl: a/a

KN AGRI RESOURCES LIMITED

(formerly known as KN Agri Resources Pvt Ltd and Itarsi Oils & Flours Pvt Limited)

Regd. Office: KN Building, Panchsheel, Raipur-492001, CG, India

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Rating Rationale

April 19, 2023 | Mumbai

KN Agri Resources Limited

Rating upgraded to 'CRISIL A-/Stable'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.265 Crore (Enhanced from Rs.151 Crore)
Long Term Rating	CRISIL A-/Stable (Upgraded from 'CRISIL BBB+ / Positive')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has its upgraded rating on bank facilities of KN Agri Resources Limited (KNARL; erstwhile Itarsi Oils and Flours Private Limited) to '**CRISIL A-/Stable**' from '**CRISIL BBB+/Positive**'.

The rating upgrade reflects improved business risk profile while maintaining its comfortable financial risk profile which is expected to sustain over the medium term.

Company has already reported revenue of Rs 1068 crore for H1 of fiscal 2023 against Rs 1879 crore in fiscal 2022. Growth in the operating income coupled with higher soybean prices has supported the profile. Consequently, company is expected to generate accruals of over Rs 65 crore over the medium term while maintaining its capital structure with total outside liabilities to adjusted networth of sub 0.5 times.

Company is also diversifying its product segment and expanding its geography footprint which will likely support the business risk profile over the medium term. Further, company's prudent inventory and other risk management policies has ensured steady operating margin over the years.

The rating reflects the Company's established position in the edible oil industry, backed by experienced promoters, presence in multiple locations with facilities close to raw material sources and large scale of operations. The ratings also factor in healthy networth and strong debt protection metrics. These strengths are partially offset by susceptibility to volatility in raw material prices and intense competition, large working capital requirement

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of promoters:** The Company's strong market understanding in the edible oil industry is supported by its longstanding presence and large facilities close to the key raw material (soya bean) sources. It processes a variety of edible oils and sells under registered brands. The promoters' experience of about three decades in the edible oil industry, commodities industry has helped them establish healthy relationships with suppliers and customers and identify market opportunities.
- **Healthy networth and strong debt protection metrics:** Networth was healthy at Rs 255 crore as on March 31, 2022 and Rs.265 Crores as on Sept 30, 2022 . Debt protection metrics were strong, reflected in interest coverage ratio of 37 times and net cash accrual to total debt ratio of 3.15 time in fiscal 2022. With increasing networth backed by healthy accretion the financial risk profile should remain adequate over the medium term. Gearing and TOLTNW ratio to remain sub 0.1 time as on March 31, 2023
- **Prudent working capital management:** Operations remain working capital-intensive owing to seasonal procurement. Inventory is expected at 35-40 days over the medium term, driving gross current assets to 60-70 days. The company extends limited credit to customers. The working capital requirement is partly supported by available bank lines. The company utilises warehouse receipt financing loans to support the large seasonal procurement

Weaknesses:

- **Susceptibility of operations to adverse movements in raw material prices:** The operating income and profitability is vulnerable to adverse movements in the prices of raw material, soya seeds. As the major raw materials are agricultural products, seasonal variations because of rainfall, crop diseases and low yield play a vital role in their availability and prices. The government provides the minimum support price for agro commodities every year. On the other hand, prices of refined oils are primarily decided by demand-supply situations, and any significant rise in the price of raw materials may impact the operating margin. Though DOC, a major contributor to revenue, has seen high demand from the feed

industry, ability to pass on increase in raw material price in a timely manner remains critical. Company has managed this risk over the years and is also in process of diversifying its product profile which will partly mitigate the risk.

- **Exposure to adverse change in government regulations:** There is significant government intervention. The industry is vulnerable to government policies in the form of duties imposed on import of refined and crude edible oil, volatility in edible oil prices. Further, Regulatory risks like the ban on import of GMO soya seed (import of Non GMO seeds is allowed), also adversely affect the operating profitability of soya players, in case of high soya seed prices in the domestic market vis-a-vis international market

Liquidity: Strong

KNARL has adequate liquidity driven by expected cash accruals of over Rs. 60 crore in 2023 and over Rs 70 crore fiscal 2024 onwards. The company's fund based limits have remained utilized to the tune of 34% on an average over the 12 months ended Dec 2022. The company has minimal long term repayment obligation and capex is expected to be around Rs. 5 crore each over fiscal 2023 and 2024 to be funded from the internal accruals. Current ratio was healthy at 6.52 times as on March 31, 2022. CRISIL Ratings believes the company has sufficient accruals and cash and cash equivalents to meet its incremental working capital needs and capex

Outlook: Stable

CRISIL Ratings believes KNARL's operating performance will continue to improve on back of the extensive experience of its promoters and established market position along with prudent inventory policies

Rating Sensitivity factors

Upward factors:

- Sustenance of improved revenue with profitability upwards of 6% leading to healthy accruals of over Rs 100 crore
- Sustenance of working capital management and financial risk profile

Downward factors:

- Significant decline in revenue and drop in operating margin to below 3% resulting in much lower accruals
- Deterioration in capital structure or liquidity position, on account of significant stretch in working capital cycle or large debt funded capex

About the Company

KNARL was incorporated in 1987 by three brothers Mr. Vijay Shrishrimal, Dharendra Shrishrimal and Sanjay Shrishrimal. Company is engaged in the solvent extraction and refining of edible oil from soybean and production of soya de-oiled cake (DOC). Company is also engaged in flour milling and trading of commodities like gram, wheat, soya oil and soybeans. Company got listed on March 28, 2022 on SME platform of National Stock Exchange

Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	1,880.94	1,299.13
Reported profit after tax	Rs crore	46.70	25.39
PAT margins	%	2.51	1.99
Adjusted Debt/Adjusted Net worth	Times	0.06	0.14
Interest coverage	Times	35.98	8.91

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	240.0	NA	CRISIL A-/Stable
NA	Pledge Loan	NA	NA	NA	25.0	NA	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	265.0	CRISIL A-/Stable		--	31-03-22	CRISIL BBB+/Positive		--	07-12-20	CRISIL BBB+/Stable	CRISIL BBB+/Positive

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
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Cash Credit	20	IDBI Bank Limited	CRISIL A-/Stable
Cash Credit	60	State Bank of India	CRISIL A-/Stable
Cash Credit	30	YES Bank Limited	CRISIL A-/Stable
Cash Credit	20	HDFC Bank Limited	CRISIL A-/Stable
Cash Credit	21	ICICI Bank Limited	CRISIL A-/Stable
Cash Credit	9	ICICI Bank Limited	CRISIL A-/Stable
Cash Credit	30	UCO Bank	CRISIL A-/Stable
Cash Credit	30	RBL Bank Limited	CRISIL A-/Stable
Cash Credit	20	Citibank N. A.	CRISIL A-/Stable
Pledge Loan	25	State Bank of India	CRISIL A-/Stable

This Annexure has been updated on 19-Apr-23 in line with the lender-wise facility details as on 21-Feb-23 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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