



Dated: 24-06-2024

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400051, Maharashtra

Symbol: KNAGRI
ISIN: INE0KNW01016

Sub: Intimation of Credit Rating

Dear Sir/Madam,

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 by CRISIL Ratings Limited on the Bank Loan facilities of the Company.

You are requested to take the above information on your records.

Yours Faithfully,
For, KN Agri Resources Limited

Dhirendra Shrishrimal
Whole-time Director & CFO

Encl: a/a

KN AGRI RESOURCES LIMITED

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

Tel: +91 771 2293706 / 08 Fax: + 91 771 2293707 Email: info@knagri.com, website: www.knagri.com, CIN L15141 CT 1987 PLC 003777

Rating Rationale

June 10, 2024 | Mumbai

KN Agri Resources Limited

Long term rating downgraded to 'CRISIL BBB+/Stable'; 'CRISIL A2' reassigned to short term bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.265 Crore
Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Stable')
Short Term Rating	CRISIL A2 (Reassigned)

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 downgraded its rating on the long term bank loan facilities of KN Agri Resources Limited (KNARL; erstwhile Itarsi Oils and Flours Private Limited) to '**CRISIL BBB+/Stable**' from 'CRISIL A-/Stable'. CRISIL Ratings has also reassigned its '**CRISIL A2**' rating to the short-term bank facilities of the company.

The rating action reflects the lower than expected performance of the company in fiscal 2023 and 2024 owing to the decline in operating margin. Consequently, company has reported lower accruals.

The operating margins of the company have remained lower than expected at around 2.8% in fiscal 2024 (as against ~4.5%) and are expected to remain around ~4% in fiscal 2025. However, same remains to be seen. The dip in operating margin is on account of the price volatility and decline in prices resulting in lower realization. Company expects the operating margins to revive back in fiscal 2025 on the back of expected improvement in price of edible oil and better fixed cost absorption of Itarsi plant. Despite the expected improvement, the overall performance of the company is expected to remain lower than CRISIL Ratings' expectations. Company achieved revenue of Rs 1699 crore in fiscal 2024. despite increased crushing by 46% in FY 24 on account of lower realization .

Company's financial risk profile has remained healthy marked by network at Rs 316 crore, gearing and total outside liabilities to adjusted network (TOLTNW) of 0.35 times and 0.44 times as on 31st March 2024. The network is expected to remain above Rs 350 crore over medium term marked by healthy accretion to reserves. In absence of any major debt funded capex plan, the gearing and TOLANW ratio are expected to remain around similar levels over medium term. The debt protection metrics are expected to remain at moderate levels on account of low profitability, marked by expected interest coverage and expected Net cash accruals to adjusted debt at around 7 times and 0.14 times in fiscal 2025. With the improvement in operating profitability, the debt protection metrics are also expected to improve in fiscal 2025 and remain at comfortable levels. However, improvement in operating margins resulting in improvement in the debt protection metrics shall remain monitorable.

The rating continues to 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 network 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:** Promoters have experience of over 3 decades in the edible oil industry and have developed understanding of the industry dynamics. It has helped KNARL establish itself in the domestic market while developing healthy relation with clientele and the suppliers.
- **Above-average financial profile:** Networth and total outside liabilities to adjusted networth (TOLANW) ratio were above average at Rs 316 crore and 0.44 times as on March 31, 2024.

Debt protection metrics were strong, reflected in interest coverage ratio of 5.4 times and net cash accrual to total debt ratio of 0.32 time in fiscal 2024. 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 0.5 time.

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: Adequate

Bank limit utilization is low at around 33 percent for the past ten months ended Jan 2024. Cash accrual are expected to be over Rs 41 crore which are sufficient against nil term debt obligation over the medium term. In addition, it will be act as cushion to the liquidity of the company.

Current ratio is healthy at 3.37 times on March 31, 2024

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 improved profitability leading to healthy accruals of over Rs 50 crore
- Sustenance of working capital management and financial risk profile

Downward factors:

- Significant decline in revenue and drop in operating margin to below 2% 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	Unit	2024	2023
Operating income	Rs.Crore	1699.67	2,236.18
Reported profit after tax	Rs.Crore	31.26	29.37
PAT margins	%	1.81	1.31
Adjusted Debt/Adjusted Networth	Times	0.35	0.28
Interest coverage	Times	5.46	5.53

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	Couponrate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	225	NA	CRISIL BBB+/Stable
NA	Pledge Loan	NA	NA	NA	20	NA	CRISIL BBB+/Stable
NA	Working Capital Facility	NA	NA	NA	20	NA	CRISIL A2

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	265.0	CRISIL BBB+/Stable / CRISIL A2		--	19-04-23	CRISIL A-/Stable	31-03-22	CRISIL BBB+/Positive		--	CRISIL BBB+/Stable

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	30	YES Bank Limited	CRISIL BBB+/Stable
Cash Credit	20	HDFC Bank Limited	CRISIL BBB+/Stable
Cash Credit	60	State Bank of India	CRISIL BBB+/Stable
Cash Credit	30	RBL Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	Bank of India	CRISIL BBB+/Stable
Cash Credit	50	ICICI Bank Limited	CRISIL BBB+/Stable
Cash Credit	30	UCO Bank	CRISIL BBB+/Stable
Pledge Loan	20	State Bank of India	CRISIL BBB+/Stable
Working Capital Facility	20	Citibank N. A.	CRISIL A2

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

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com	Himank Sharma Director CRISIL Ratings Limited D:+91 124 672 2152 himank.sharma@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Rushabh Pramod Borkar Associate Director CRISIL Ratings Limited D:+91 22 3342 3390 rushabh.borkar@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com	Sachin Bhikaji Bandagale Manager CRISIL Ratings Limited B:+91 22 3342 3000 Sachin.Bandagale@crisil.com	

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