

Date: October 16, 2018

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 <u>Fax No. 022-22721919</u>	National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai – 400051 <u>Fax No. 022-26598120</u>
Ref.: Kwality Limited (KWALITYLTD/INE775B01025)	Ref.: Kwality Limited (KWALITYLTD/INE775B01025)

Subject: Revised Brickwork Ratings

Dear Sir/Madam,

This is with reference to revised rating of Brickwork for Fund Based Long Term, Non Fund Based Short Term and Non-Convertible Debentures. The same has been enclosed for your reference.

The Company has not yet received the intimation regarding revised rating from Brickwork.

This is for your information and records.

Thanking you,
For Kwality Limited

For Kwality Limited

Managing Director

Sanjay Dhingra
Managing Director



Rating Rationale

Kwality Limited

6 Sep 2018

Brickwork Ratings downgrades the Long Term rating and Short Term rating of Kwality Limited's bank loan facilities amounting to Rs. 1493 Crores and secured redeemable NCD of Rs. 94.45 Crores to BWR D (pronounced as BWR Single D).

Particulars

Instrument	Issue Date (DD.MM.YY)	Amount (Rs. Crs)	Coupon Interest	Maturity Date (DD.MM.YY)	ISIN Particulars	Previous Rating	Rating*
NCD	30 June 2016	94.45	Interest @ 8% p.a.	30 June 2022	INE775B07014	BWR BBB – (Pronounced as BWR Triple B Minus) (Credit watch with Negative Implications)	BWR D (Downgrade)

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous July 2018	Present
Fund Based				BWR BBB – (Pronounced as BWR Triple B Minus) (Credit watch with Negative Implications)	BWR D (Downgrade)
Cash Credit Term Loans	1350.00 168.75	1313.00 150.00	Long Term		
Non Fund Based				BWR A3 (Pronounced as BWR A Three)	BWR D (Downgrade)
BG/LC	50.00	30.00	Short Term		
Total	Rs. 1493 Crores (INR One Thousand Four Hundred & Ninety Three Crores Only.)				

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

NCD and Bank Loan Ratings Downgraded to BWR “D”



Rationale/Description of Key Rating Drivers/Rating sensitivities:

The Company has been facing liquidity issues on account of inadequate working capital, promoters' inability to bring in fresh funds due to steep drop in their share price and consequent negative sentiments, and income-tax attachment order received by some banks due to delays/defaults in meeting the statutory commitments. However, the situation has suddenly turned worse, the accounts have turned irregular and many banks have classified their credit facilities as substandard. BWR understands that due to the income-tax attachment order, the company stopped passing on credits with the lending banks which had received the order, and this resulted on build up of over-drawings. The NCDs are also not being serviced on time as per investor feedback, and hence, the ratings are downgraded to 'D'. Please refer to BWR's website for our policy on 'Default Recognition.'

About the Company

Kwality Limited was incorporated in the year 1992 and is listed at BSE and NSE. It is engaged in the business of procuring milk from the farmers/agents and manufacturing a variety of dairy products, like pasteurized milk, milk powder, curd, butter, pure ghee, low cholesterol ghee amongst others. KL has been able to implement its new unit during Feb 2017; which has resulted in increase of its total installed capacity from 34.10 LLPD to 43.10 LLPD. It now a total of six processing units, out of which 2 are owned, 3 are leased and one is owned by a group company.

Company Financial Performance

During FY18, the Company registered a turnover of Rs. 6724 Crs as against Rs. 6131 Crs reported for the corresponding last year. PAT of the Company stood at Rs. 71 Crs for FY18 as against 164 Crs in FY17.

The company has delayed releasing their first quarter results, and the same is notified by them to the Stock Exchanges.

Key financial indicators are summarized in below.

Particulars	FY17 (A)	FY18 (A)
Total Operating Income (Rs. Crs)	6131.23	6724.85
EBITDA (Rs. Crs)	413.67	492.48
PAT (Rs. Crs)	164.28	71.11
Total Tangible Network (Rs. Crs)	997.19	1114.94
Total Debt to Equity Ratio (times)	1.51	1.52
ISCR (times)	2.41	2.10

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (Year 2018)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	27 July 2018	28 June 2018	09 April 2018
1	Cash Credit Term Loan	Long Term	1313.00 150.00	BWR D	BWR BBB – (Credit watch with Negative Implications)	BWR A – (Negative)	BWR A + (Credit Watch with Negative Implications)
2	NCD	72 months	94.45	BWR D (Downgrade)	BWR BBB – (Credit watch with Negative Implications) (Downgrade)	BWR A – (Negative)	BWR A + (Credit Watch with Negative Implications)
3	BG/LC	Short Term	30.00	BWR D (Downgrade)	BWR A3 (Downgrade)	BWR A2 (Downgrade)	BWR A1

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**For print and digital media**

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,09,939 Cr. In addition, BWR has rated over 6923 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹61,963 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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