SHREE RENUKA SUGARS

24th July, 2018

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051

Dept. of Corporate Services
BSE Limited
P. J. Towers, Dalal Street
Mumbai - 400 001

NSE Symbol: RENUKA

BSE Scrip Code: 532670

Dear Sirs,

Subject: 1. Disclosure pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015
2. Credit rating by ICRA Limited (ICRA)

We write to inform you that ICRA has upgraded the long-term and the short-term ratings outstanding on the bank limits of Shree Renuka Sugars Limited (SRSL) to [ICRA]BBB+ (pronounced ICRA triple B plus) and [ICRA]A2 (pronounced ICRA A two) respectively. ICRA has also assigned the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the NCD programme of SRSL worth Rs. 552.1 crore. The outlook on the long-term rating is Stable. The summary of rated instruments is as under:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	3679.30	1286.4	[ICRA]BBB+ (Stable); upgraded from [ICRA]D
Cash Credit	1218.0	181.0	[ICRA]BBB+ (Stable); upgraded from [ICRA]D
Letter of credit	1616.17	1124.2	[ICRA]A2; upgraded from [ICRA]D
Non-convertible debenture (NCD)	0	552.1	[ICRA]BBB+ (Stable); assigned
Total	**6513.47**	**3143.7**	

The rating document issued by ICRA is enclosed.

Kindly take the above details on records.

Thanking you,

Yours faithfully,
For Shree Renuka Sugars Limited

R. S. Saraiya

Rupesh Saraiya
Company Secretary

Encl.: As above

Shree Renuka Sugars Limited

July 23, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	3679.30	1286.4	[ICRA]BBB+ (Stable); upgraded from [ICRA]D
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Non-convertible debenture (NCD)&	0	552.1	[ICRA]BBB+ (Stable); assigned
Total	**6513.47**	**3143.7**	

*instrument details are provided in Annexure-1

&subscribed by the lenders as part of the debt restructuring exercise

Rating action

ICRA has upgraded the long-term and the short-term ratings outstanding on the bank limits of Shree Renuka Sugars Limited (SRSL) to [ICRA]BBB+ (pronounced ICRA triple B plus) and [ICRA]A2 (pronounced ICRA A two) respectively[1][2]. ICRA has also assigned the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the NCD programme of SRSL worth Rs. 552.1 crore. The outlook on the long-term rating is Stable.

Rationale

The revision in the ratings primarily reflects the comfort arising from change in the parentage for SRSL with Wilmar Sugar Holdings Ltd (WSHL), wholly owned subsidiary of Wilmar International Limited (WIL), now being the majority shareholder in SRSL and holds ~58% stake in the company. As part of the debt restructuring exercise, WSHL infused close to ~ Rs. 784 crore in SRSL, as equity capital, which resulted in an increase in the shareholding of Wilmar Group in SRSL from ~27% to 38%. The shareholding was further increased to ~58% post the open offer, resulting into SRSL becoming a subsidiary of WIL. As part of the resolution plan, WIL has also extended a corporate guarantee on the bank term loans and working capital debt amounting to Rs. 2504.31 crore. While the cash flows at a standalone level may remain subdued owing to the weak sugar prices coupled with high debt levels, ICRA has favorably taken the change in the parentage and expects timely infusion of funds from the Wilmar Group, in case of any liquidity mismatch, to meet the debt servicing obligations. ICRA also expects SRSL to benefit through synergy with WIL's international presence in sugar and commodity business.

ICRA, also positively notes the company's complete forward integration into distillery and co-generation operations and advantage of the sugar facilities being located in states of Maharashtra and Karnataka which are regions with high sugar recovery rates, longer crushing season and relatively flexible Fair & Remunerative Price (FRP) based cane price regime. ICRA also takes a note of the fact that Brazilian subsidiary operations of SRSL are currently under bankruptcy and the company does not have any recourse to the debt liabilities of the Brazilian subsidiary. Further, the company has completely written-off its investments and loans to the Brazilian subsidiaries during FY2018 which has, however, resulted in significant erosion of net-worth.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

The ratings, however, remain constrained by the high debt levels, weak capital structure and modest expected debt coverage indicators owing to the oversupply scenario in the domestic sugar sector owing to record sugar production in SY2018 resulting in a sharp decline in domestic sugar prices over the last few months. While the recent support measures taken by the Government of India (GoI) for the sugar industry, such as creation of 3 million metric tonne (MT) of buffer stock and fixing the minimum sugar price at Rs. 29,000/MT has resulted in some recovery in sugar prices, the overall debt protection indicators for the company is expected to remain subdued due to the high debt levels and modest capacity utilisation levels.

The ratings are further constrained by risks associated with the inherent cyclicality in the sugar business; the agro-climactic conditions related to cane production; the Government policies on import duties, the pricing and offtake of cogeneration power and ethanol; and counterparty credit risk associated with the sale of power to the utility in Maharashtra. The company's operations are also exposed to the risk of price fluctuations impacting the spread available between raw and white sugar in its sugar refining business.

Outlook: Stable

ICRA expects sugar prices to recover and remain stable in the near term supported by the recent government initiatives. The outlook may be revised to Positive if the sugar production estimates for SY2019 are lowered and if the exports of 2 million MT are implemented successfully, resulting in favourable supply-demand dynamics, which in turn would result in higher sugar prices. The outlook may be revised to Negative if there is a considerably higher sugar production than consumption estimates for SY2019, resulting in a crash in sugar prices.

Key rating drivers:

Credit strengths

Subsidiary of Wilmar International Limited- Post the debt restructuring exercise and the subsequent open offer, SRSL has become a subsidiary of Wilmar International Limited. Wilmar Group's business activities include oil palm cultivation, oilseeds crushing, edible oils refining, sugar, specialty fats, oleochemicals and biodiesel manufacturing and grains processing. The company is one of the largest global processor and merchandiser of palm and lauric oils. On a consolidated level, WIL reported revenues of USD 44,362 million in FY 2017 (Jan 2017-Dec 2017) with operating margins of ~4.8% and net margins of ~2.4%. Being a large trading house, the total debt levels for the Group has remained high and stood at ~ USD 21,387 million, almost 85% of which is contributed by working capital debt.

While the cash flows at a standalone level may remain subdued owing to the weak sugar prices coupled with high debt levels, ICRA has positively considered the change in the parentage as Wilmar International has high financial flexibility and is expected to infuse funds is SRSL, in case of any liquidity mismatch, to meet the debt servicing obligations. Also, as part of the resolution plan, WIL has extended a corporate guarantee on the bank term loans and working capital debt amounting to Rs. 2504.31 crore

Fully forward integrated into distillery and co-generation operations resulting in substantial de-risking of core sugar business- The company is forward integrated into distillery and co-generation operations that de-risks the core sugar business of the company and supports its profitability during periods of sugar cyclicality. During the last few years, while performance of sugar business has remained subdued, the distillery business has performed satisfactorily with PBIT margins of 24-25%.

Locational advantage for the refinery business; the business to benefit through synergy with WIL's international presence in sugar & commodity business - The company's refining units enjoy locational advantages being situated close to the ports, since bulk of the raw material is imported, while a significant portion of the refined sugar is exported to foreign markets. Since the company procures the raw sugar from international markets against favourable LC terms, it operates on a negative working capital cycle which reduces the interest burden. The business is also expected to benefit through the operational synergies with Wilmar International, which is one of the largest sugar trader in the world.

Recovery in sugar price following GoI's support measures –GoI has recently announced support measures for the sugar industry which include creation of 3 million MT of buffer stock, fixation of MSP at Rs. 29,000/MT and incentives for setting up of distillery capacities. The creation of buffer stock is likely to improve the demand-supply dynamics in the near term. The prices have already witnessed recovery to Rs. 33,000/MT from the low level of Rs. 27,500/MT in May 2018.

Credit challenges

Financial profile continues to remain stretched- While the debt levels for the company have reduced post the restructuring exercise, it continues to remain high. Consequently, owing to the oversupply scenario in the domestic sugar sector and a sharp decline in domestic sugar prices over the last few months, the debt coverage metrics for the company, at a standalone level, will remain subdued. Further, the company has completely written-off its investments and loans to the Brazilian subsidiaries during FY2018, which has, resulted in significant erosion of net-worth.

High cane procurement cost: Owing to lower cane availability, cane procurement cost for the company remained high over the last few years which kept the contribution margins in the sugar business at subdued level. Going forward, with the increase in the cane availability, ability of the company to reduce the cane procurement cost will remain highly critical for improving the contribution margins in the sugar business.

Operations exposed to agro-climatic risks and cyclical trends in sugar business- The operations of the company remain exposed to the agro-climatic and cyclical risks associated with sugarcane production. During SY 2017 and SY 2018, the cane availability remained low vis-à-vis the historical volumes, which not only impacted the sugar business, but also impacted the overall volumes in the distillery and cogeneration business.

Vulnerability to government/regulatory policies- The sugar industry is highly regulated, with various Government Acts governing virtually all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by-product pricing.

Exposure of the company's trading business to market risks, especially price fluctuations- The company is also engaged in trading of raw sugar, white sugar and certain distillery products and remains exposed to price fluctuations.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology
Rating Methodology for Entities in the Sugar Industry

About the company:

Shree Renuka Sugars Limited (SRSL) is one of the largest private sector sugar manufacturers in the country, promoted by first generation entrepreneurs, viz. Murkumbi family, with a combined crushing capacity of about 42,000 TCD (across seven units) in India. The plants in India are located in the states of Maharashtra and Karnataka.

SRSL has been one of the first mills to be fully forward integrated into distillery (using molasses, a by-product of sugar) and co-generation (based on bagasse) operations. SRSL mainly manufactures fuel grade ethanol that can be blended with petrol. The distillery capacity for the company stands at 930 KLPD (630 KLPD from molasses to ethanol and 300 KLPD from rectified spirit to ethanol). The company has a total co-generation capacity of 584 MW with a total exportable surplus of 356 MW. The company also carries out refining activity, i.e. conversion of raw sugar to white sugar, from its 2,500 TPD unit at Haldia (West Bengal) and 3,000 TPD unit at Kandla (Gujarat).

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	7771.5	5847.6
PAT (Rs. crore)	-123.9	-2982.1
OPBDIT/OI (%)	3.9%	-3.0%
RoCE (%)	3.5%	-91.9%
Total Debt/TNW (times)	3.4	2.5
Total Debt/OPBDIT (times)	12.1	-13.0
Interest Coverage (times)	0.8	-0.3

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016		
					July 2018	August 2017	-	March 2016	August 2015	July 2015
1	Term Loans	Long Term	1286.4	1286.4	[ICRA]BBB+ (Stable)	[ICRA]D	-	[ICRA]D	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
2	Fund Based Limits	Long Term	181.0	181.0	[ICRA]BBB+ (Stable)	[ICRA]D		[ICRA]D	[ICRA]BB (Negative)	[ICRA]BBB- (Negative)
3	Non-Fund Based Limits	Short Term	1124.2	1124.2	[ICRA]A2	[ICRA]D		[ICRA]D	[ICRA]A4	[ICRA]A3
4	NCD	Long Term	552.1	552.1	[ICRA]BBB+ (Stable)	-	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loans	July 2017	10-12%	FY 2029	1286.4	[ICRA]BBB+ (Stable)
-	Fund Based Limits	July 2017	10-12%	-	181.0	[ICRA]BBB+ (Stable)
-	Non-Fund Based Limits	July 2017	-	-	1124.2	[ICRA]A2
INE087H07086	NCD*	March 2018	0.01%	FY2027	552.1	[ICRA]BBB+ (Stable)

*subscribed by the lenders as part of the debt restructuring exercise
Source: Shree Renuka Sugars Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

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