

K.C.P. SUGAR AND INDUSTRIES CORPORATION LTD.

Regd. Office : "Ramakrishna Buildings", Post Box No. 727, No.239, (Old No.183), Anna Salai, Chennai - 600 006.
 Ph : 044 2855 5171 to 5176, 6551 4966 Fax : 044 2854 6617 / 2855 5863 E-mail : kcpsugar@vsnl.com
 CIN - L15421TN1995PLC033198

Ref: KSICL/STK.EX. /2018-19

11.07.2018

VICE PRESIDENT LISTING DEPARTMENT The National Stock Exchange of India Ltd. Exchange Plaza, 5th floor Plot No.C/1, G Block Bandra-Kurla Complex Bandra (E) – MUMBAI 400051.	Manager - Corporate Relationship Dept of Corp.Services Bombay Stock Exchange Ltd. Floor 25, P.J. Towers Dalal Street - Mumbai 400001
Scrip ID: KCPSUGIND –EQ	Scrip ID / Code: KCPSUGIND / 533192

Dear Sir,

Sub : Disclosure of reaffirmation of credit rating in pursuance of Regulation 30 of SEBI (LODR) Regulations, 2015 - reg.

In compliance with Regulation 30 of SEBI (LODR) Regulations, 2015 read with para A of part A of Schedule III to the said Regulations, we wish to inform you that CARE Ratings Ltd, have reaffirmed the rating in respect of bank facilities and fixed deposits vide their letters dt. 28.06.2018 (received at our end on 06.07.2018), as detailed below (*copies enclosed*):

S.No.	Category	Amt – Rs./Cr.	Rating	Remarks
1.	Long Term bank facilities	162.38	CARE 'A' Stable (Single A; Outlook: Stable)	Reaffirmed.
2.	Short Term bank facilities	6.50	CARE 'A1' (A One)	Reaffirmed
3.	Fixed Deposit programme	83.64	CARE 'A' (FD) – Stable (Single A(Fixed Deposit); Outlook: Stable)	Reaffirmed

We request you to kindly take this on your records.

Thanking you,

Yours faithfully,

For K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED

S. Chidambaram

**S. CHIDAMBARAM
GENERAL MANAGER (ACCTS) & COMPANY SECRETARY**

Encl: a/a

◇ Leading Manufacturers of Premium Grade Sugars, Rectified Spirit, Anhydrous Alcohol, Extraneutral Alcohol, Co2, Calcium Lactate, Bio-Fertilizers, Bio-Compost and Mycorrhiza Inoculum.

Factories at - Vuyyuru, Krishna Dist., A.P. - 521 165. Tel : 08676 232001 Fax : 08676 232640
 - Lakshmipuram, Krishna Dist., A.P. - 521 131. Tel : 08671 222046 Fax : 08671 222640

CARE/CRO/RL/2018-19/1162

Mr R Ganesan,
CFO,
K.C.P Sugar and Industries Corporation Limited
'Ramakrishna Buildings',
239, Anna Salai, Chennai- 600 006

June 28, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	162.38 (enhanced from 158.59)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	6.50	CARE A1 (A One)	Reaffirmed
Total	168.88 (Rupees One hundred Sixty Eight crore and Eighty Eight lakh only)		

2. Refer **Annexure 1** for details of rated facilities.
3. 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, a draft of which is enclosed for your perusal as **Annexure-2**. 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 July 02, 2018, we will proceed on the basis that you have no any comments to offer.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

4. 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.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, 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 bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. 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.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

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

Thanking you,

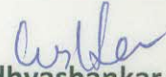
Yours faithfully,



Vijay Sajnani

Deputy Manager

vijay.sajnani@careratings.com



Vidhyashankar C

Senior Manager

Vidhyashankar.c@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is 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.

Annexure 1

Details of Rated Facilities

1. Long-term facilities

1.A Term loans

(Rs. cr)

S.No	Name of the Bank	Rated Amount	Repayment
1.	Axis Bank Ltd	6.12	Monthly repayment starting from March 2016. 1x1.03 cr, 35x0.79 cr.
	Total	6.12	

1. B. Fund-based limits

(Rs. cr)

S.No	Name of the Bank	Facility	Rated amount
1.	Axis Bank Ltd	Cash Credit	34.63
2.	ICICI Bank Ltd	Cash Credit	77.00
3.	State Bank of India	Cash Credit	44.63
	Total		156.26

Total Long-term facilities (1.A+1.B) = Rs.162.38 crore

2. Short-term facilities

2. A. Non-fund-based limits

(Rs. cr)

S.No	Name of the Bank	Facility	Rated amount	Remarks
1.	Axis Bank	BG	5.00	
2.	SBI	BG/LC	1.50	*100% interchangeability between LC and BG
	Total		6.50	

BG: Bank Guarantee, LC: Letter of Credit

Total Short-term facilities (2.A) = Rs.6.50 crore

Annexure 2
Press Release
K.C.P. Sugar and Industries Corporation Limited

Ratings

Facilities		Amount (Rs. crore)	Ratings ²	Remarks
Long-term Facilities	Bank	162.38 (enhanced from 158.59)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short-term Facilities	Bank	6.50	CARE A1 (A One)	Reaffirmed
Total		168.88 (Rupees One hundred Sixty Eight crore and Eighty Eight lakh only)		
Fixed programme	Deposit	83.64 (Rupees Eighty Three crore Sixty Four lakh only)	CARE A (FD); Stable (Single A (Fixed Deposit); Outlook: Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to derive strength from the established track record of K.C.P. Sugar and Industries Corporation Limited (KCP) for six decades in the sugar industry, integrated nature of operations consisting of distillery & cogeneration resulting in diversified revenue stream, comfortable capital structure and liquidity position of the company.

The ratings, however, continue to factor in the susceptibility of the revenues and profitability to the demand-supply dynamics, absence of sufficient diversification in terms of command area and plant location, cyclical nature and regulated nature of the sugar industry. The ratings also take into account moderation in the financial performance during FY18 (refers to the period April 1 to March 31) in trend with the industry.

Going forward, the ability of the company to ensure cane availability through maintaining good relationship with farmers, improve its profitability and any prolonged down trend in the sugar industry would be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

Established track record of KCP in sugar industry and Integrated nature of operations

KCP is part of the KCP group which has an established track record of over six decades in the sugar industry. KCP is presently having two sugar mills, one each at Vuyyuru and Lakshmipuram. Both the units are situated at Krishna District of Andhra Pradesh. Vuyyuru unit is situated at 30 km away from east of Vijayawada and Lakshmipuram unit is situated at 40 km away from Vuyyuru unit. Vuyyuru unit is an integrated sugar complex with cane crushing facility, distillery facility and incidental co-generation. It also has a chemical division with facility to manufacture pharma grade calcium lactate, carbon dioxide (by-product of distillery division) and Bio-tech division with facility to manufacture bio-fertilizer and bio-compost production facility. Lakshmipuram unit has a cane crushing facility, and incidental co-generation facility. It does not have a distillery unit; however, it has storage facility for molasses. The integrated nature of operations at company level provides flexibility to KCP to change its product mix according to the market demand and insulates it to a certain extent from the cyclical nature in sugar prices.

Presence in high-yield area

The command areas of both the units are situated in Krishna District, Andhra Pradesh. The command area is present in a region which has highly fertile land and irrigated by Krishna river water through canals. In addition to above, various cane development activities including supply of bio-fertilizers, periodical introduction of new cane varieties and financial incentives to farmers based on yields helps the company to achieve better cane yield. The total cane crushed during FY18 was 8.69 Lakh Tonne as against 7.41 Lakh Tonne in FY17. Cane crushed in FY17 was low due to unfavourable climatic condition which improved and resulted in higher crushing in FY18. The recovery improved slightly in both the regions during FY18 (Lakshmipuram – 9.06% in FY18 as against 8.12% in FY17, Vuyyuru – 9.68% in FY18 as against 9.49% in FY17).

Moderation in performance during FY18 in trend with industry, however comfortable capital structure and liquidity position

During FY18, the performance of the company moderated with PAT of Rs.8 crore on total operating income of Rs.367 crore as against PAT of Rs.55 crore on TOI of Rs.439

crore in FY17. During FY18, KCP witnessed y-o-y moderation in TOI and in profitability mainly on account of decline in sugar sales volume from 9.2 lakh quintal in FY17 to 6.8 lakh quintal in FY18, however the average sugar sales realization improved to Rs.36.55/kg in FY18 from Rs.35.81/kg in FY17 mainly due to high sugar prices prevailing during Apr'17 to Nov'17. The sugar prices started declining in Q4FY18. On account of fall in sugar prices during Q4FY18 and MTM of the same, the company incurred inventory loss, which has resulted in net loss during Q4FY18 and moderation in profitability in full year FY18. It is to be noted that profits of FY18 includes other comprehensive income of Rs.36 crore due to change in fair value of investments held by the company.

In the absence of any major capex the liquidity position of the company remains comfortable. KCP has free cash and liquid investments of Rs.180 crore as on March 31, 2018. The capital structure of the company remains comfortable with debt equity ratio of 0.29 times and overall gearing of 0.82 times as on March 31, 2018. Net overall gearing stood at 0.11 times as on March 31, 2018. The working capital utilisation remained low at 69% for the twelve months ended May 2018.

Key Rating Weaknesses

Susceptibility of the revenues and profitability to the demand-supply dynamics along with cyclical and regulated nature of sugar industry

Sugar industry is highly regulated industry. Cyclical nature of sugar industry and volatility in prices results in significant impact on operating performance of sugar companies. Sugar production in India declined in each of the sugar seasons (October –September) 15-16 and Sugar Season (SS) 16-17. Lower sugar production had resulted in increase in average domestic sugar price in SS 16-17. Subsequently the prices started declining from November 2017 onwards, in anticipation of higher sugar production. The sugar production in the current sugar season (SS 17-18) is estimated to be higher as against the same period previous year. Higher estimated sugar production along with opening stock at the beginning of the SS 17-18 and similar estimated consumption levels as that of previous SS will result in higher closing stock for the current SS. This is expected to keep the prices under pressure. In order to reduce the burden on the mills and the

farmers the central government has adopted various steps to improve the industry scenario.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

About the Company

KCP Limited (KCPL) was promoted by late Mr V. Ramakrishna in 1941. Over the years, KCPL diversified into various industries including cement, engineering, apart from sugar. In 1995, KCP was formed under the leadership of late Mr V. M. Rao to take over sugar mills and workshop of KCPL. At present, Ms I.V.M. Rao is Managing Director of KCP. Around 40% of the stake is held by the promoters and remaining 60% by public. KCP presently owns and operates two sugar mills, one each at Vuyyuru (Andhra Pradesh) and Lakshmipuram (Andhra Pradesh) with an aggregate capacity of 11,500 TCD (Tonnes of Cane Crushed per Day), primary and secondary distillery capacity of 50 KLPD (Kilo Liters per Day) and incidental co-generation capacity of 20 megawatt (MW). In addition to the above, it also has facility to manufacture 500 Tonnes Per Annum (TPA) pharma grade calcium lactate, 60 TPA carbon dioxide, 1,200 TPA Bio-fertilizer and 700 TPA Mycorrizha.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	439	374
PBILDT	89	7
PAT	55	8
Overall gearing (times)	0.54	0.82
Interest coverage (times)	10.49	0.58

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

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.

Analyst Contact

Name: Mr Vidhyashankar C

Tel: 044-28501017

Email: vidhyashankar.c@careratings.com

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

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.

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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
Fund-based - LT-Cash Credit	-	-	-	156.26	CARE A; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	6.50	CARE A1
Term Loan-Long Term	-	-	February 2019	6.12	CARE A; Stable
Fixed Deposit	-	-	2 years/3 years	83.64	CARE A (FD); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - ST-Letter of credit	-	-	-	-	-	-	1)CARE A1 (09-Jul-15)
2.	Fund-based - LT-Cash Credit	LT	156.26	CARE A; Stable	-	1)CARE A; Stable (04-Jul-17)	1)CARE A (06-Jul-16)	1)CARE A- (09-Jul-15)
3.	Non-fund-based - ST-Bank Guarantees	ST	6.50	CARE A1	-	1)CARE A1 (04-Jul-17)	1)CARE A1 (06-Jul-16)	1)CARE A1 (09-Jul-15)
4.	Fixed Deposit	LT	83.64	CARE A (FD); Stable	-	1)CARE A (FD); Stable (04-Jul-17)	1)CARE A (FD) (06-Jul-16)	1)CARE A- (FD) (09-Jul-15)
5.	Term Loan-Long Term	LT	6.12	CARE A; Stable	-	1)CARE A; Stable (04-Jul-17)	1)CARE A (06-Jul-16)	1)CARE A- (09-Jul-15)

Recd
06/07/18

CARE/CRO/RL/2018-19/1163

Mr R Ganesan,
CFO,
K.C.P Sugar and Industries Corporation Limited
'Ramakrishna Buildings',
239, Anna Salai,
Chennai- 600 006

June 28, 2018

Confidential

Dear Sir,

Credit rating for Fixed Deposit (FD) programme

On a review of recent developments including operational and financial performance of your company for FY 18 (audited), our Rating Committee has reviewed the following rating:

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Fixed Deposit programme	83.64* (Rupees Eighty Three crore Sixty Four lakh only)	CARE A (FD); Stable (Single A (Fixed Deposit); Outlook: Stable)	Reaffirmed

*out of which Rs.68.02 crore was outstanding as on May 31, 2018.

2. The FD programme is for a tenure of 2 years/3 years with redemption on maturity.
3. Please arrange to get the rating revalidated, in case the entire rated amount is not placed within **six months** from the date of this letter.
4. In case there is any change in the size or terms of the proposed FD programme, please get the rating revalidated.
5. Kindly arrange to submit us a copy of each of the documents pertaining to the FD programme.
6. To enable CARE to monitor the rating with reference to the amount of FD mobilised, you may please inform CARE when the level of deposit reaches the amount specified.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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.
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9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. 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.

Thanking you,

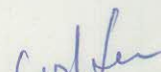
Yours faithfully,



Vijay Sajnani

Deputy Manager

vijay.sajnani@careratings.com



Vidhyashankar C

Senior Manager

Vidhyashankar.c@careratings.com

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