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ICRA revises outlook to stable for ratings assigned to KBK Chem Engineering Private Limited

ICRA has revised its rating outlook on long term facilities of KBK Chem Engineering Private Limited (KBK) to stable from rating watch with negative implications while reaffirming LA+ (SO)/ A1+ (SO) ratings of the company. The rating action follows a similar rating action by ICRA on parent company Shree Renuka Sugars Limited (SRSL). These ratings are based on strength of the corporate guarantee provided by SRSL for payment of the captioned facilities to the Banks.

ICRA has ratings outstanding of LA+ (SO) [pronounced as L A plus (Structured Obligation)] and A1+ (SO) [pronounced as A one plus (Structured Obligation)] on 120 million fund based facilities and A1+ (SO) [pronounced as A one plus (Structured Obligation)] rating on Rs. 1480 million non fund based facilities of KBK. [†] The letter SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The ratings address the servicing of the facilities to happen as per the terms of the underlying facility and the guarantee arrangements. The ratings assume that the guarantee will be duly invoked, as per the terms of the underlying facility and guarantee agreements, in case there is a default in payment by the borrower. With respect to the facilities from Citibank N.A. (amounting to Rs. 150 million), in the event that the Guarantor revokes or discontinues the guarantee, the captioned ratings will not apply in respect of any incremental exposure taken by the bank on the borrower, after the revocation or discontinuation notice is sent by the guarantor. In that event, the ratings on these facilities will have to be reviewed.

Company Profile

KBK is an engineering company providing turnkey solutions to distilleries, ethanol and bio fuel plants. The company was promoted in 1997 by well experienced technocrats who has worked in similar field with varied experience in distillery industry. KBK is one of the largest suppliers in India for turnkey Ethanol and Distillery plants and offers rectified spirits, extra neutral alcohol and Ethanol plants with water/ waste water / spent wash treatment systems, integrated evaporation plants, cogeneration power plants, Biogas and slop fired boilers and bio composting plants. It has designed, executed and commission projects in more than 15 countries including Thailand, Ethiopia, Philippines, Vietnam, etc. KBK has a workshop at Pirangut, Pune to provide 100% in house fabrication facilities for critical equipment such as distillation columns, reactors and other process equipment for ethanol plants. SRSL, an integrated sugar industry player with turnover of more than Rs. 22 billion, holds 80.3% stake in KBK.

Guarantor's Profile

SRSL is one of the largest private sector sugar manufacturers outside UP and Western India with a combined capacity of more than 31, 000 tcd, all of it located in Maharashtra and Karnataka. It has been one of the first mills to be fully forward integrated into alcohol (using molasses a by-product of sugar) and power (based on bagasse). Further it has substantial refining capacity (>4,000 tcd) and proximity to ports which enables it to procure raw sugar at attractive cost. It is promoted by the Murkumbi family, a family of first generation entrepreneurs. The management has been very proactive in its cane development activities and forward integration, which has resulted in the recovery rates in its plants being significantly superior and partially de risked it from the cyclical trends in the sugar business.

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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