

## Gokak Sugars Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 16.00 crore (reduced from Rs. 27.74 crore)	[ICRA]B <i>reassigned</i>
Fund Based Limits	Rs. 20.00 crore	[ICRA]B <i>reassigned</i>

ICRA has reassigned the long-term rating from [ICRA]BB(SO) (pronounced ICRA double B structured obligation) with negative outlook to [ICRA]B (pronounced ICRA B) outstanding on the term loans and fund based facilities of Gokak Sugars Limited (GSL) aggregating to Rs. 36.00 crore<sup>1</sup> (reduced from Rs. 47.74 crore)<sup>2</sup>.

The reassigned rating takes into account the parentage of Shree Renuka Sugars Limited (SRSL) which has a 93% equity stake in the company and the financial support given by SRSL through unsecured loans and corporate guarantee provided to the bankers of GSL. The rating also favourably considers the forward integration of the company's sugar business into co-generation operations which negates the sugar cyclicity to some extent.

The rating is however constrained by the weak financial profile of the company due to the depressed sugar prices prevalent during Sugar Year (SY)<sup>3</sup> 2015 coupled with the high sugarcane costs which resulted in losses for the company in the sugar business. The company's capital structure is also stretched (gearing of 4.3 times as on March 31, 2015) due to the reduction in net worth owing to net losses. ICRA however positively notes the recovery in the sugar prices seen over the past 4-5 months supported by the reduced estimates on domestic sugar production for SY2016 along with the higher export quantity of 40 lakh MT mandated by the Central Government. The rating also takes into account the risks arising out of the inherent cyclicity in sugar business, exposure to agro-climatic risks and vulnerability to regulatory policies, apart from the exposure to price fluctuations for the company's trading business.

### Company Profile

Gokak Sugars Ltd (GSL), incorporated in 2000, is a Belgaum (Karnataka) based sugar manufacturing company with a 2500 TCD (Tonnes Crushed per Day) cane crushing plant. The plant is forward integrated with a 14 MW co-generation unit. The company was initially setup by local promoters; subsequently, Shree Renuka Sugars Ltd acquired 87% stake in the company in October 2008 and has gradually increased its equity holding in GSL to about 93% as on date with the remaining equity held by one of the original promoters.

For FY2015, GSL reported net loss of Rs. 11.23 crore on an operating income of Rs. 117.45 crore. For FY2014, GSL reported net loss of Rs. 15.44 crore on an operating income of Rs. 277.91 crore.

### About Shree Renuka Sugars Limited

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 and 59,520 TCD (across four units) in Brazil. The plants in India are located in the states of Maharashtra and Karnataka. The company has significant presence in South Brazil through acquisitions of Renuka Vale do Ivai in March 2010 (100% owned) and Renuka do Brasil (formerly Eupav Acucar e Alcohol) in July 2010 (50.34% stake, which was increased to 59.4%<sup>4</sup> by March 2012).

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. Global distillery capacity of SRSL is 4,160 KL per day (KLPD) with Indian distillery capacity at 930 KLPD (630 KLPD from molasses to ethanol and 300 KLPD from rectified spirit to ethanol) and Brazil distillery capacity at 3,230 KLPD. The company has a total co-generation capacity of 584 MW with a total

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>3</sup> SY refers to period from October to September

<sup>4</sup> includes equity infusion of USD 60 million by Renuka Commodities DMCC as well

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).

Renuka Vale do Ivaí was previously a distressed Brazilian sugar and ethanol producer with a total crushing capacity of 3.1 million MT per annum and it has strategic stake in warehouses and loading facilities at Paranaguá port in Brazil. Renuka do Brasil has sugar/ethanol mills with integrated co-generation facilities. It has about 10.5 million MT annual crushing capacity along with co-generation capacity of 295 MW.

For FY2015, SRSL reported net loss of Rs. 295.1 crore on an operating income of Rs. 5,744.2 crore. For 9m-FY2016, SRSL has reported net loss of Rs. 505.5 crore on an operating income of Rs. 4,044.2 crore (unaudited).

On a consolidated basis, for FY2015, SRSL reported net loss of Rs. 1,813.6 crore on an operating income of Rs. 10,087.6 crore.

**March 2016**

*For further details please contact:*

Analyst Contacts:

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500