

## KBK Chem Engineering Private Limited

Instrument	Amount	Rating Action
Cash Credit	Rs. 15.00 crore	[ICRA]C reassigned
Non-Fund-Based	Reduced from Rs. 30.0 crore to Rs. 17.35 crore	[ICRA]A4 reassigned

ICRA has reassigned the rating to Rs. 15.00 crore cash credit facilities of KBK Chem Engineering Private Limited (KBK, 'the Company') as [ICRA]C (pronounced as ICRA C)†. ICRA has also reassigned the rating to Rs. 17.35 crore non fund based facilities (reduced from Rs. 30.0 crore) of KBK as [ICRA]A4 (pronounced as ICRA A four).

KBK had rating outstanding of [ICRA]BB (SO)/ negative outlook/ [ICRA]A4 (SO)<sup>1</sup>. These ratings were based on the strength of corporate guarantee provided by Shree Renuka Sugars Limited (SRSL) for the captioned facilities to the Banks. With its release dated March 21 2016, ICRA has downgraded the ratings assigned to SRSL from [ICRA]BB/ Negative outlook/ [ICRA]A4 to [ICRA]D.

The reassigned ratings of KBK takes into account its parentage (being wholly owned subsidiary of SRSL) and financial support from the parent company through unsecured loans. The rating remain constrained by weak financial profile of the company due to limited EPC order execution over last few fiscals combined with minimal order book as on date. The company has reported cash losses over last five fiscals eroding net-worth completely with the company being dependent on its parent SRSL for financial support. Unsecured loans from SRSL stood at Rs. 97.6 crore as on March 2015 as against negative networth of Rs. 25.7 crore. Given subdued capex cycle for sugar industry and total dependence on parent for orders, which is experiencing a stretched liquidity position, KBK's operating income has declined sharply over last few fiscals. Company's ability to service its debt obligations in a timely manner remains contingent on timely support from its parent company.

### Company Profile

KBK is an EPC company providing turnkey solutions to distilleries, ethanol and bio fuel plants. The company was promoted in 1997 by well experienced technocrats who have worked in similar field with varied experience in distillery industry. KBK provides services 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.

### Guarantor's Profile

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 has been increased to 59.4% by March 2012). SRSL has been one of the first mills to be fully forward integrated into distillery (using molasses, a byproduct 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 6,240 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 (271 MW Indian operations and 313 MW Brazilian operations) 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).

<sup>1</sup> For complete rating scale and definitions, please refer ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA Rating Publications



Renuka Vale do Ivai 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 Paranagua port in Brazil. Renuka do Brasil has sugar/ethanol mills with integrated cogeneration 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 9mFY2016, 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.

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