

## Coromandel Sugars Limited

April 07, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities@	163.60	CARE A- (CE); Stable [Single A Minus (credit enhancement); Outlook: Stable]	Revised from CARE A (CE); Stable [Single A (credit enhancement); Outlook: Stable]
<b>Total Facilities</b>	<b>163.60</b> <b>(Rupees One hundred and sixty three crore and sixty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

@ backed by credit enhancement in the form of unconditional and irrevocable Corporate Guarantee from The India Cements Limited

### Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The above rating for the bank facilities of Coromandel Sugars Limited is based on the credit enhancement in the form of unconditional and irrevocable Corporate Guarantee from The India Cements Limited (ICL, rated 'CARE A-; Stable/ CARE A2+').

### Detailed Rationale & Key Rating Drivers of The India Cements Limited

The revision in the ratings assigned to the bank facilities and debt instruments of The India Cements Limited (ICL) factors in the continuation in the moderate financial performance for the past two years ended December 31, 2019 marked by relatively low profitability indicators and increase in debt in relation to gross cash accruals. In view of the prevailing industry scenario, demand for cement is expected to remain subdued in the near term and hence profitability is expected to remain moderate.

The ratings continue to factor in the market position of ICL in the southern markets as one of the largest players with established presence, its strong brand image in all the five southern states, integrated nature of operations with presence of captive power plants and revenue contribution from non-southern states resulting in geographical diversification

The ratings are, however, tempered by the susceptibility of the revenues and profitability to the demand-supply dynamics of the cement market, ICL's moderate leverage levels, relatively lower profit margins, exposure to group entities and cyclical nature of cement industry.

### Rating Sensitivities of The India Cements Limited

#### **Positive Factors**

- Improvement in profitability and reduction in total debt resulting in total debt/GCA of less than 6.0x on a sustained basis

#### **Negative Factors**

- Deterioration in the capital structure with overall gearing above 0.80x and total debt to GCA above 15x on a sustained basis.

### Detailed description of the key rating drivers of The India Cements Limited

The detailed description of the key rating drivers of The India Cements Limited can be found at [www.careratings.com](http://www.careratings.com)

### Liquidity of ICL

The cash and bank balance outstanding as on March 31, 2019 stood at Rs.7 crore. Total receivables outstanding as on March 31, 2019 increased to Rs.729 crore from Rs.629 crore as on March 31, 2018 and the collection period in FY19 stood at 45 days as against 39 days in FY18. The total operating cycle in FY19 stood at 44 days as against 36 days in FY19. The company has sanctioned working capital limit of Rs.750 crore and the average month end working capital utilization for the past twelve months ended January 2020 was 63%. As stated earlier, profitability levels are expected to remain moderate in the near term due to unfavourable industry scenario. Scheduled term debt obligations for FY20 is Rs.387 crore against GCA of Rs.239 crore achieved in 9mFY20. Scheduled term loan repayment obligation for FY21 is Rs.563crore, relatively high as compared to previous financial years and cash accruals of past three years ended March 2019. On account of the same, ability of the company to mobilize additional funds in timely manner to meet its cash flow requirements is crucial from liquidity perspective.

**Analytical approach:** Guarantor's assessment.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Applicable Criteria**
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Criteria for Rating Credit Enhanced Debt](#)
[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)
**About the Company - Coromandel Sugars Limited**

Coromandel Sugars Limited (CSL, rated 'CARE BBB-; Stable/CARE A3'), promoted by the India Cements group is engaged in the manufacture of sugar, molasses and also co-generation of power. Originally incorporated in 1996 under the name of ICL Sugars Limited, its name was changed to CSL in 2007. CSL is an associate company of The India Cements Limited with 49.99% ownership interest through its subsidiary Coromandel Electric Company Limited and rest of the stake is held by other group companies.

The company commenced operations in August 1999 with an installed capacity of 2,500 tonnes crushed per day (TCD). Its production facility, situated at Makkavalli, Mandya District, Karnataka has an installed capacity of 4,500 tonnes crushed per day (TCD) and a multi-fuel cogeneration power capacity of 30 MW as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	193	186
PBILDT	35	43
PAT	(6)	2
Overall gearing (times)	3.05	4.19
Interest coverage (times)	1.04	1.04

A: Audited;

**About the credit enhancement provider - The India Cements Limited**

ICL is the one of the largest producers of cement in South India and is one of the largest cement manufacturers in the country with a total installed cement manufacturing capacity of 15.55 mtpa as on March 31, 2018. ICL was established in 1946 by Mr Sankaralinga Iyer and Mr T S Narayanswami and is today headed by Mr N.Srinivasan, Vice Chairman and Managing Director. Including production facilities of TCL, ICL owns and operates ten cement manufacturing units (including two split grinding units) in the states of Telangana, Andhra Pradesh (AP), Tamil Nadu (TN), Maharashtra (MH) and Rajasthan. The company primarily manufactures two standard types of cement: Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC), the mix being 35:65.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	5,184	5,637
PBILDT	711	651
PAT	101	69
Overall gearing (times)*	0.66	0.71
Interest coverage (times)	2.09	2.01

A: Audited; \*Including Ind AS transition reserve as part of network

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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
Term Loan-Long Term	-	-	October 2028	163.60	CARE A- (CE); 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	80.00	CARE BBB-;	1)CARE BBB-; Stable	1)CARE BBB-; Stable	1)CARE BBB-; Stable	-

				Stable	(20-Feb-20)	(04-Mar-19) 2)CARE BBB-; Stable (05-Apr-18)	(14-Apr-17)	
2.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (05-Apr-18)	1)CARE A-(SO); Stable (14-Apr-17)	-
3.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable	1)CARE BBB-; Stable (20-Feb-20)	1)CARE BBB-; Stable (04-Mar-19) 2)CARE BBB-; Stable (05-Apr-18)	1)CARE BBB-; Stable (14-Apr-17)	-
4.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	47.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (20-Feb-20)	1)CARE BBB-; Stable / CARE A3 (04-Mar-19) 2)CARE BBB-; Stable / CARE A3 (05-Apr-18)	-	-
5.	Term Loan-Long Term	LT	163.60	CARE A-(CE); Stable	-	1)CARE A (SO); Stable (02-Jan-19)	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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