K.C.P. Sugar & Industries Corporation Limited

September 23, 2020

Credit Update

K.C.P. Sugar and Industries Corporation Limited (KCP Sugar; rated CARE A; Stable, CARE A(FD); Stable/ CARE A1) has informed to CARE that there were delays in despatch of interest warrants for the quarters ending March 31, 2020 and June 30, 2020 with respect to the Fixed Deposits raised by the Company.

CARE understands that these delays were operational in nature owing to nationwide/local lockdown restrictions caused by Covid-19 pandemic. For the quarter ending March 31, 2020, the Company had transferred the requisite funds to the designated interest warrant account on March 30, 2020. However, the company was not able to dispatch the interest warrants before the quarter end as banking operations were curtailed and courier facilities were not available due to lockdown conditions. It is to be noted that as on March 31, 2020, KCP Sugar had cash and investments of Rs.136 crore (Rs.57 crore in mutual funds, Rs.67 crore in listed equity, free cash of Rs.5 crore and Rs.6 crore in margin money for FDs).

For the quarter ending June 30, 2020, the Company transferred the requisite funds for issuing Demand Drafts (DD) on June 18, 2020, however complete lockdown in Chennai and adjoining districts where even banks were not allowed to function and lack of sufficient DD stationery available with banks resulted in delayed despatch of DD.

KCP Sugar had cash and investments of Rs. 145 crore (Rs.58 crore in mutual funds, Rs.79 crore in listed equity, free cash of Rs.2 crore and Rs.6 crore in margin money for FDs) as on June 30, 2020. The extent of liquidity available with the company is relatively high as compared to quarterly interest payment on deposits amounting around Rs. 1.1 crore for these quarters. In addition, KCP Sugar also has fund based working capital limits of Rs.173.6 crore. The average fund based working capital utilization was 69% for 12 months ended June 2020. The management has informed CARE that they have sought the bank account details from all the Fixed Deposit holders to credit the quarterly interest by means of bank transfer for the ensuing quarters, in order to avoid any such future event.

As per CARE's assessment, delay in despatch of interest warrant/DD was on account of operational issues due to Covid-19 related lockdown/restrictions and is not a credit issue related to the ability of the entity to meet the debt obligations.

For accessing KCP Sugar's previous rating rationale, please click here

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook and Credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology – Sugar Sector
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

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.*

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About CARE Ratings:
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