

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.

Contact us**Media Contact**

Name: Mr Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Mr P Sudhakar
Contact no.: 044-2850 1000
Email ID: p.sudhakar@careratings.com

Business Development Contact

Name: Mr V Pradeep Kumar
Contact no.: 044-2850 1000
Email ID: pradeep.kumar@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

CARE's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.