

Date: 27.09.2019

The Secretary
BSE Limited
Deptt. of Corporate Services
(Listing Department)
Rotunda Building, P.J. Towers
Dalal Street, Fort
Mumbai – 400001

The Asst. Vice-President
National Stock Exchange of India Ltd.
"Exchange Plaza"
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400051

The Secretary
The Calcutta Stock Exchange of India Ltd.
7, Lyons Range,
Kolkata – 700001

Dear Sirs,

Sub: Kesoram Industries Ltd. - External Credit Rating accredited by Brickworks Ratings

In compliance of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part A of Schedule III to the Regulations, this is to inform you that Brickworks Ratings India Pvt. Ltd. has accredited the rating BBB+ and A2 for the Company's long term and short term bank facilities respectively with outlook changed to 'stable' in its recent rating exercise as per advice under reference no. BWR/BLR/HO/ERC/VS/3034/2019-20 dated 27th September, 2019. A copy each of the aforesaid advice and the rational published are attached herewith for your reference and record.

Please disseminate the above information for all stakeholders at large through your platform.
Thanking you,

For Kesoram Industries Ltd.



Authorised Signatory

BWR/BLR/HO/ERC/VS/3034/2019-20
27-Sep-2019

Mr P Radhakrishnan
Chief Financial Officer
Kesoram Industries Limited
9/1 R N Mukherjee Road
Kolkata 700 001, West Bengal.

Dear Sir,

Sub: Annual Review cum Enhancement of Ratings of Bank Loan Facilities of Kesoram Industries Limited aggregating ₹ 3,286.88 Crores (₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only)

Ref: BWR rating letter <BWR/BLR/HO/ERC/VS/5417/2018-19> dated 25-Mar-2019

On Annual review cum Enhancement of **Kesoram Industries Limited** performance based on the information and clarifications provided by you, and as available in public sources, we are pleased to inform you that the ratings of **Kesoram Industries Limited's** Bank Loan Facilities amounting to ₹ 3,286.88 crores have been reaffirmed as follows, with outlook changed to 'Stable':

Facility**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous (Mar 2019)	Present*
<u>Fund based</u> Term Loan Cash Credit	2317.50 -	2,171.88 720.00	Long Term	BWR BBB+ / Credit Watch with negative implications (Pronounced as BWR Triple B Plus)	Reaffirmation at BWR BBB+ / Stable (Pronounced as BWR Triple B Plus)
<u>Non Fund Based##</u> Letter of Credit Bank Guarantee	- -	345.00 50.00	Short Term	-	Assigned BWR A2 (Pronounced as BWR Single A Two)
Total	2317.50	3,286.88	₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only		

*For definition of the ratings please refer to our website www.brickworkratings.com

Note: Details of bank wise facilities is as per Annexure-I

#Non fund based limits are interchangeable as per the respective sanctions of the banks



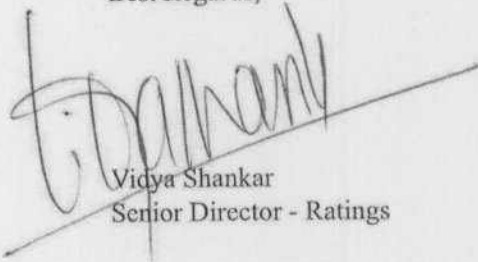
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Kesoram Industries Limited

The Ratings are valid for twelve months from this letter and subject to terms and conditions as per your mandates letter dated **05-Sep-2019** and other correspondence, if any and Brickwork Ratings' standard disclaimer appended at the end of this letter. **You are requested to provide No Default statement on a monthly basis.**

The rated bank loan facilities would be under surveillance during the said period. You are required to submit information periodically as per Annexure-II for the purpose of surveillance/review. You are also required to keep us informed of any information/ development that may affect your Company's finances/performance without any delay.

Best Regards,

A handwritten signature in black ink, appearing to read "Vidya Shankar". The signature is written over a horizontal line and is positioned to the left of the printed name and title.

Vidya Shankar
Senior Director - Ratings



Note: Rating Rationale of all accepted Ratings are published on Brickwork Ratings website. All non-accepted ratings are also published on Brickwork Ratings web-site . Interested persons are well advised to refer to our website www.brickworkratings.com, If they are unable to view the rationale, they are requested to inform us on brickworkhelp@brickworkratings.com.

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Kesoram Industries Limited
Details of Bank Facilities rated by BWR

Annexure I

Annexure I

	Type of Facilities	SBI	Axis Bank	ICIC I Bank	Kota k Bank	LVB	PNB	The Sout h India n	KVB	WBI DFC	Indus ind Bank	Yes Bank	HDF C
Fund Based	Term Loans	-	1202.50	200.00	-	92.50	-	370.00	92.50	139.38	75.00	-	-
	Cash Credit	240.00	25.00	50.00	25.00	73.00	48.50	50.00	-	-	80.00	38.50	90.00
Total (Long Term)		240.00	1227.50	250.00	25.00	165.50	48.50	420.00	92.50	139.38	155.00	38.50	90.00
Non Fund Based	Letter of Credits	220.00	5.00	75.00	-	-	30.00	-	-	-	-	-	15.00
	Bank Guarantee	50.00	-	-	-	-	-	-	-	-	-	-	-
Total (Short Term)		270.00	5.00	75.00	-	-	30.00	-	-	-	-	-	15.00
Total (Long + Short)		51.00	1232.50	325.00	25.00	165.50	78.50	420.00	92.50	139.38	155.00	38.50	105.00
₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only													



Kesoram Industries Limited

Annexure-II

The following documents/ information should be submitted to BWR:

1. Confirmation from the Company that all the terms and conditions stipulated in the Bank's Term loan sanction letter has been fully complied with.
2. Certified copy of periodical book debts/bills receivables statements submitted to the bank.
3. Confirmation about payment of installment and interest as and when paid.
4. Schedule of Term Loan installments and Interest due and payment made so far.
5. Certified copy of Quarterly Information Statements (QIS) and Half Yearly Information Statements (HYIS) submitted to the bank.
6. Certified copy of Banks' Statements of Accounts on a quarterly basis.
7. Quarterly / Half yearly financial statements (unaudited or with limited review) and Annual financial statements (provisional as well as audited).
8. Information on delays/default in servicing bank loans, letters of credit, letters of guarantee, NCDs, bonds and other borrowings, if any, by the Company as at the end of March, June, September and December each year.
9. Information on delays / defaults in servicing of debt obligations of any subsidiary/other group companies, if any, as at the end of March, June, September and December each year.
10. Any other statement / information sought by BWR from time to time.
11. All the aforesaid information shall be mailed to dat@brickworkratings.com





Rating Rationale

Kesoram Industries Limited

27-Sep-2019

Brickwork Ratings reaffirms ratings for enhanced amount of Long Term Bank Loan Facilities from ₹ 2,317.50 Crores to ₹ 2,891.88 Crores of Kesoram Industries Limited ('KIL' or the 'Company'), assigns rating for Short Term facilities of ₹ 395 Crs and changes outlook to 'Stable'

Particulars

Facility**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous (Mar 2019)	Present*
<u>Fund based</u> Term Loan Cash Credit	2317.50 -	2,171.88 720.00	Long Term	BWR BBB+ / Credit Watch with negative implications (Pronounced as BWR Triple B Plus)	Reaffirmation at BWR BBB+ / Stable (Pronounced as BWR Triple B Plus)
<u>Non Fund Based#</u> Letter of Credit Bank Guarantee	- -	345.00 50.00	Short Term	-	Assigned BWR A2 (Pronounced as BWR Single A Two)
Total	2317.50	3,286.88	₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

#Non fund based limits are interchangeable as per the respective sanctions of the banks

Rating Action / Outlook

The reaffirmation of ratings for the enhanced long term bank facilities is on the account of improvement in overall performance of tyre and cement business and clear visibility of the ongoing demerger process. Almost all procedural approvals have been obtained, all the interested parties have consented to the demerger which is effective from 01-Jan-2019 for demerger of tyre business as a separate legal entity (Birla Tyres Limited) and the final order from NCLT is expected on 18-Oct-2019. It also noted that the promoters are in the advanced stage of infusing capital in tyre business in tranches to revive and improve that segment. It is expected that the promoters will infuse ~₹ 400 Crs by the end of FY20, and about ₹ 200 Crs in FY21. Kesoram Industries Ltd (KIL) and Birla Tyres Ltd (BTL) (the demerged entity of tyre business) would have own management teams and separate Directors, who can chart out their own



independent strategies to maximize value creation for their respective stakeholders. The demerger shall also enable enhanced focus on the operations of the demerged undertaking and also the residual company. KIL has informed that the demerged company, BTL, will also be listed. Upon final approval by the NCLT, each shareholder of the Company, as on a determined Record Date, will be allotted one equity share in BTL on a 1:1 basis.

The ratings continues to factor, inter alia, well established brand position in tyre and cement business and long track record of the Company for over 100 years, various measures undertaken by the Company including divestment of various non-core assets to scale up efficiency of operations and improvement in financial performance in FY19 as compared to FY18. It is also noted that Q1FY20 performance of KIL indicates continued performance efficiency. The ratings are however constrained by limitations of manufacturing presence only in South India which limits market expansion, cement industry is subject to shorter cycles of business and the impact of market forces is greater, for a longer time. Also, even though tyre business is going to be spun off, currently, it is a drag on the combined entity.

The short term ratings, now assigned is for the non fund based facilities, which forms part of the working capital limits sanctioned to KIL and being rated by BWR now.

The change of outlook from 'credit watch negative implication' to 'Stable', factors the positive developments regarding the ongoing demerger process. It can be reasonably expected that NCLT will pass favourable orders on 18-Oct-2019. Post demerger of tyre business, KIL will concentrate on cement business only. Moreover, the cement business, which has been continuously profitable, is expected to improve its financial metrics post demerger. However, on going demerger process will be closely monitored.

Key Rating Drivers

Credit Strengths:

- **Established track record of the Company for over 100 years :** Kesoram Industries Ltd (KIL) was incorporated in 1919 by its eminent promoter, Mr G D Birla. It is currently headed by Mrs Manjushree Khaitan (D/o Mr B K Birla), The Chairperson & Non Executive Director, after the demise of Mr B K Birla in July 2019. She has been actively involved in the operations of KIL since 1998 as a director. KIL is the Flagship Company of B K Birla group and is engaged in the manufacture of Cement and Tyres, each with a strong brand image in respective business. As of 31-Mar-2019, 53.18% of shares are directly or indirectly with the promoter group.
- **Established strong position in eight states for Cement business and continuing to perform :** KIL has two cement plants one is located in Sedam, Karnataka and other one is in Basanth Nagar, Telangana which are supported by captive limestone mines and captive power plants. Both the plants are strategically located in very close proximity to



limestone unit which is a major raw material to manufacture cement and outreach to eight different markets (Andra Pradesh, Kerala, Goa, Karnataka, Madhya Pradesh, Maharashtra, Tamilnadu and Telangana). Moreover, the product has a strong brand image was built over the years as "Birla Shakti Cement" in eight states with 3,365 dealers.

- **Improvement in Financial Performance in FY19 & Q1FY20 :** KIL continues to perform for the last two years. During FY19, KIL has reported a marginal increase in an operating revenue of ₹ 3,878.66 Crs with a OPBDIT of ₹ 209.23 Crs while in FY18 KIL reported an operating income of ₹ 3,704.57 Crs with a negative OPBDIT of ₹ 69.44 Crs. Similarly PAT also improved from negative ₹ 463.51 Crs in FY18 to negative of ₹ 254.25 Crs in FY19. Although tyre business was dragging the Company's performance but the growth of the cement business is substantial in the last two quarters and it resulted in an improvement in overall performance of KIL in FY19. Post demerger of tyre business to separate legal entity, KIL will benenefitted with unlocking its potential for its growth and will improve credit profile, by increased focus on cement. As the debt levels will come down post demerger, this will also contribute to improvement in the financials.

Credit Risks:

- **Cyclical nature of the cement industry :** The Cement industry is highly correlated with economic development which is crucial for growth of the cement industry. Moreover, prolonged monsoon might impact its demand in H1, however, partially it is offset by normal season in H2FY. The industry is subject to shorter cycles of business , and the impact of market forces is greater, for a longer time.
- **Concentrated to South India Visibility :** Its manufacturing units are located in South India (Telangana and Karnataka), and this limits market expansion.

Analytical Approach - Standalone

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Sensitivities

The Company's ability to maintain improving cement business in a sluggish economy in competitive environment and maintaining optimal total debt to equity and improving liquidity will be the key rating sensitivities.

Positive : The outlook may be revised if any substantial increase in operating income while increasing profitability while reducing total debt from current level post demerger.

Negative : The outlook may be revised if any delay in demerger process, any decrease in operating income which impacts profitability and liquidity.

Liquidity Position



Stretched liquidity is characterized by negative cash accruals due to loss making tyre business.. For the last six months, utilization of fund based working capital was almost 95% and liquid cash & cash equivalent of ₹ 18.24 Crs and fixed deposits of ₹ 27.94 Crs (Lien marked deposits of ₹ 17.53 Crs). The promoters have infused additional capital to the extent of ₹ 312 Crs to meet its debt obligations and improve operations. However, the cement business has the ability to generate sufficient operating cash flow to meet its debt obligations.

Company Profile

Kesoram Industries Ltd (KIL) was incorporated in 1919 by its eminent promoter, Mr G D Birla. It is currently headed by Mrs Manjushree Khaitan, The Chairperson & Non Executive Director. KIL is the Flagship Company of B K Birla group and is engaged in the manufacture of Cement and Tyre, each with a strong brand image. KIL's tyre manufacturing facility is located in Balasore, Odisha and its cement manufacturing facilities are based in Sedam, Karnataka & Basant Nagar, Andhra Pradesh. The products of KIL are marketed under the brand name 'Birla Tyre' and 'Birla Shakti Cement' for its tyre and cement segments respectively, through its Pan-India marketing presence. KIL is a listed company with the promoters holding 53.18 % of equity as of 31-Mar-2019, and the balance held by public and other Institutions. The Board of KIL consists of eight directors including Mrs Manjushree Khaitan, The Chairperson and Non Executive Director.

Key Financial Indicators

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	₹ Cr	3,704.57	3,878.66
EBITDA	₹ Cr	(69.44)	209.23
PAT	₹ Cr	(463.51)	(254.25)
Tangible Net Worth	₹ Cr	1,015.33	1,033.33
Total Debt / Tangible Net Worth	Times	773.70	530.19
Current Ratio	Times	0.74	0.63

Key Covenants of Instrument / Facility Rated : Not Applicable

Non-Cooperation with previous Rating Agency, if any : Not Applicable

Any other information : Not Applicable



Rating History for the last three years

Facilities	Current Rating (2019)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	29-Mar-2019	08-May-2017	28-Jun-2016
Fund Based	Long Term (Term Loan & Cash Credit)#	2,891.88	BWR BBB+ / Stable (Pronounced as BWR Triple B Plus)	BWR BBB+ / Credit Watch with Negative Implications (Pronounced as BWR Triple B Plus)	BWR A+/ Stable (Pronounced as BWR Single A Plus)	BWR A+/ Stable (Pronounced as BWR Single A Plus)
Non Fund Based	Short Term (LC & BG)#	395.00	BWR A2 (Pronounced as BWR Single A Two)	-	-	-
Total		3,286.88	₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only			

#As detailed in annexure 1

Complexity Levels of the Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt



For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor and Media Relations
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Kesoram Industries Limited
Details of Bank Facilities rated by BWR
Annexure I

	Type of Facilities	SBI	Axis Bank	ICICI Bank	Kotak Bank	LVB	PNB	The South Indian	KVB	WBID FC	Indusind Bank	Yes Bank	HDFC
Fund Based	Term Loan	-	1202.50	200.00	-	92.50	-	370.00	92.50	139.38	75.00	-	-
	Cash Credit	240.00	25.00	50.00	25.00	73.00	48.50	50.00	-	-	80.00	38.50	90.00
Total - Long Term		240.00	1227.50	250.00	25.00	165.50	48.50	420.00	92.50	139.38	155.00	38.50	90.00
Non Fund Based	Letter of Credit	220.00	5.00	75.00	-	-	30.00	-	-	-	-	-	15.00
	Bank Guarantee	50.00	-	-	-	-	-	-	-	-	-	-	-
Total - Short Term		270.00	5.00	75.00	-	-	30.00	-	-	-	-	-	15.00
₹ Three Thousand Two Hundred Eighty Six Crores Eighty Eight Lakhs Only													

Additional information is available at www.brickworkratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Brickwork Ratings has been compensated for the provision of the ratings.



Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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