KESORAM
www.kesocorp.com

Dated: 08.06.2018

The Secretary
The Calcutta Stock Exchange Ltd.
7, Lyons Range
Kolkata - 700 001

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai Samachar Marg
Mumbai - 400 001

The Vice-President
National Stock Exchange of India Ltd.
"Exchange Plaza"
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051

Ref: Disclosure in Compliance with Regulation 30, Schedule III Part A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

A copy of a letter received yesterday from CARE Ratings Limited revising our ratings in respect of our facilities amounting to Rs. 1805 Crores is attached.

Thanking you,

Yours faithfully,
For Kesoram Industries Limited

Gautam Ganguli
Company Secretary

Encl: As Above

P + 91 33 2243 5453, 2242 9454
+ 91 33 2248 0764, 2213 0441
F + 91 33 2210 9455
E : corporate@kesoram.net

Kesoram Industries Limited
Registered & Corporate Office
9/1 R.N. Mukherjee Road, Kolkata - 700 001
CIN - L17119WB1919PLC003429

BIRLA GROUP OF COMPANIES

CARE Ratings
Professional Risk Opinion

CELEBRATING 25 Year Analytical Excellence

Mr. T. K. Das
Chief Financial Officer
Kesoram Industries Limited
Birla Building (8th Floor)
9/1, R.N. Mukherjee Road
Kolkata – 700 001

May 18, 2018

Confidential

Dear Sir,

Credit rating for bank facilities aggregating Rs.1,805.00 crore

On the basis of recent developments in your company, our Rating Committee has reviewed the following ratings.

Facilities	Amount (Rs. Crore)	Ratings[1]	Rating action
Long-term Bank Facilities		-	**Withdrawn**
Long/Short term Bank Facilities	1,100 (reduced from 1,315)	**CARE BBB/CARE A3+; Credit watch with developing implications (Triple B/A Three Plus; Credit watch with developing implications)**	**Revised from CARE A-/CARE A2+; Credit watch with negative implications (Single A Minus/A Two Plus; Credit watch with negative implications)**
Short term Bank Facilities	705 (enhanced from 585)	**CARE A3+; Credit watch with developing implications (A Three Plus; Credit watch with developing implications**	**Revised from CARE A2+; Credit watch with negative implications (A Two Plus; Credit watch with negative implications)**
Total	**1,805 (Rupees One Thousand Eight Hundred and Five crore only)**		

2. Refer **Annexure 1** for details of rated facilities.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly

AB

per

KESORAM INDUSTRIES LTD. Kolkata

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

revert as early as possible. In any case, if we do not hear from you by May 21, 2018 we will proceed on the basis that you have no comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Akshay Bhalotia
Deputy Manager
akshay.bhalotia@careratings.com

Mamta Muklania
Asst. General Manager
mamta.khemka@careratings.com

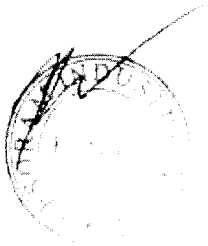
Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is 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.

AB



Annexure 1

Details of Rated Facilities

1. Long/Short-term facilities

1. A. Fund based limits - Cash Credit/Export Packing Credit/Packing Credit in foreign currency

Sl. No.	Name of the Bank	Amount (Rs. Crore)	Remarks
1	State Bank of India	474.00	Sanctioned & tied-up
2	HDFC Bank	130.00	
3	Kotak Mahindra Bank	41.00	
4	Punjab National Bank	60.00	
5	Axis Bank	25.00	
6	ICICI Bank	50.00	
7	Indusind Bank	100.00	
8	South Indian Bank	50.00	
9	Yes Bank	50.00	
10	Lakshmi Vilas Bank	100.00	
12	Proposed	20.00	Yet to be tied up
	Total	**1,100.00**	

Total Long/Short-term facilities: Rs.1,100.00 crore

2. Short-term facilities

2. A. Term Loan

Sl. No.	Name of the Bank	Rated Amount (Rs. crore)	Remarks (Sanctioned)	Repayment terms
1	Indusind Bank	130.00	Outstanding	Bullet repayment at the end of 1 year
	Total	**130.00**		

2. B. Non fund based limits - Bank Guarantee / Letter of Credit

Sl. No.	Name of the Bank	Amount (Rs. Crore)	Remarks
1	State Bank of India	290.00	Sanctioned & tied up
2	Punjab National Bank	30.00	
3	HDFC Bank	15.00	
4	Axis Bank	5.00	
5	ICICI Bank	75.00	
6	Proposed	160.00	Yet to be tied up
	Total	**575.00**	

Total Short-term facilities: Rs.705.00 crore

Total facilities rated: Rs.1,805.00 crore

AB

Annexure 2

Press Release
Kesoram Industries Limited

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long/Short-term Bank Facilities	1,100 (reduced from 1,315)	CARE BBB/CARE A3+; Credit watch with developing implications (Triple B/A Three Plus; Credit watch with developing implications)	Revised from CARE A-/CARE A2+; Credit watch with negative implications (Single A Minus/A Two Plus, Credit watch with negative implications)
Short-term Bank Facilities	705 (enhanced from 585)	CARE A3+; Credit watch with developing implications (A Three Plus; Credit watch with developing implications	Revised from CARE A2+; Credit watch with negative implications (A Two Plus; Credit watch with negative implications)
Long-term Bank Facilities			Withdrawn
Total	**1,805 (Rupees One Thousand Eight Hundred and Five crore only)**		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

In February 2018, CARE had continued the rating watch with negative implications for the ratings assigned to the bank facilities of Kesoram Industries Ltd (KIL) after evaluating the financial performance of the company in Q3FY18 and plans of the company to manage the existing financial risk profile by way of infusion of equity & improvement in liquidity profile and induction of a partner in the tyre division.

KIL has published its unaudited financial results for the quarter ended March 31, 2018 wherein it has reported loss of Rs.158.17 crore as against loss of Rs.43.17 crore incurred in Q3FY18. The revision in the ratings assigned to the bank facilities of KIL takes into account the significant loss in Q4FY18 with lower than expected profitability in the cement division and continued loss in the tyre division.

The ratings take note of infusion of equity of Rs.312 crore in March'2018 which has been utilised to reduce debt. However, the sale or induction of a partner for its tyre division is yet to materialise.

CARE continues to put the rating assigned to the company on credit watch with developing implications pending clarity on the above transaction which is likely to have a significant impact on the financial risk profile of the company.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

The ratings draw strength from the long and established track record of promoters and demonstrated support by the promoters to the company and operational efficiency of the cement division.

The ratings remain constrained by the leveraged capital structure, losses in tyre division, risk of volatility in raw material prices of tyre division, high competition in the tyre industry and cyclicality of the cement industry.

Detailed description of the key rating drivers

Key Rating Strengths

Long & established track record of the company

KIL, the flagship company of B. K. Birla group, was set up in the year 1919 and has been operating over the last nine decades. B. K. Birla group is a leading industrial group in the country with major interests in tea, cement, tyres, textiles, etc. Mr. B. K. Birla is the promoter & Chairman of KIL and his daughter Smt. Manjushree Khaitan is the vice-chairperson and executive director. As on March 31, 2018, the promoters' stake in KIL is around 51.39%.

The promoters infused equity of Rs.312 crore in March 2018 through preferential allotment and warrants and Rs.23.73 crore was infused as unsecured loan.

Operational efficiency of cement division by way of limestone mines and captive power plant

In the cement segment, KIL sells both PPC and OPC. The ratio of OPC and PPC is around 55:45. KIL sells cement under the brand name 'Birla Shakti' and has presence in Western and Southern regions of the country. KIL sources limestone from its two leasehold mines (one each at both the locations). The limestone reserves at both the mines extend beyond economic life of the respective plants. The said mines are located in proximity of the clinker plants, thereby enabling the company to optimize cost. Cement production, being power intensive, KIL needs uninterrupted supply of power which is ensured by the CPPs installed at its plant locations (aggregate capacity 93MW), which meets the entire annual power requirement of the cement unit. The cheaper cost of power generated in CPPs vis-à-vis power from GRID reduces power cost leading to improvement in operational efficiency of the company.

Key Rating Weaknesses

Continued losses in FY18

During FY18 (prov.), the company's total operating income declined by 10.46% mainly on account of lower sales in both tyre and cement division. The company incurred operating loss of Rs.69.28 crore in FY18 vis-à-vis operating profit of Rs.23.67 crore in FY17 primarily due to increased losses in the tyre division. The profitability of cement division improved during the year despite subdued performance during Q3FY18 on account of lower prices in Maharashtra region (around 50% of its produce is sold in Maharashtra). The division achieved PBILDT of Rs.212 crore in FY18 as against Rs.181 crore in FY17. However, the losses from tyre division increased to Rs.90 crore in FY18 as against Rs.40 crore in FY17. Consequently, with increased operational losses and increase in interest cost, the loss before exceptional items increased to Rs.390.29 crore in FY18 (Rs.275.46 crore in FY17). The company incurred exceptional cost of Rs.75.22 crore in FY18 vis-à-vis exceptional income of Rs.121.35 crore in FY17. Accordingly, the net loss increased during the year to Rs.463.51 crore vis-à-vis Rs.154.87 crore in FY17.

Due to the losses, the company's networth declined from Rs.846.27 crore as on March 31, 2017 to Rs.773.70 crore as on March 31, 2018 despite equity infusion of Rs.312 crore during March'18. The total debt outstanding remained at similar level at Rs.3,425 crore as on March 31, 2018 as against

Rs.3,538.62 crore as on March 31, 2017. The overall gearing remained high at 4.43x as on March 31, 2018.

Losses in tyre division

In the tyre segment, KIL's aggregate installed capacity is around 21.65 lakh tyres per annum. Its product portfolio consists of mainly Truck/Bus Tyre, 2/3 wheelers tyres, Light commercial vehicle tyres. Replacement market accounts for around 65% of the total sales of tyre division. KIL sells tyres (under the brand name of Birla tyres).

The operating loss of tyre division increased to Rs.90 crore in FY18 as against loss of Rs.40 crore in FY17. The performance of the division was impacted during H1FY18 due to high natural rubber prices and low capacity utilisation due to import of Chinese tyres and destocking by dealers prior to implementation of GST. The profitability of division improved during H2FY18 with decline in natural rubber prices and imposition of Anti-Dumping Duty on import of Chinese Tyres. However, the performance of the tyre division remains impacted due to sale of low margin Truck & Bus bias tyres and stiff completion from the established players in the industry.

The Company is setting up a Passenger Car Radial tyre Unit of 80 MT per day at Balasore unit for which it has already incurred around Rs.740 crore. The company is in the process of inducting a partner in the tyre division or selling the tyre division which is likely to have a significant impact on the financial risk profile of the company.

Risk of volatility in raw material prices

KIL sources majority of natural rubber from the open market which has witnessed volatility in the recent past. Consequently, the performance of KIL depends upon the ability to procure natural rubber at competitive prices. Further, there has been significant volatility in prices of other raw materials such as synthetic rubber, carbon black.

Cyclical nature of cement industry

Cement industry is highly cyclical in nature and depends largely on the economic growth of the country. There is a high degree of correlation between the GDP growth and the growth in cement consumption. Cement being a cyclical industry goes through phases of ups and downs, and accordingly impacts the unit realisations.

Analytical approach: Standalone

Applicable Criteria

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

About the Company

KIL, the flagship company of the B. K. Birla group, is a diversified conglomerate engaged in manufacturing of tyres & tubes and cement. The primary products are tyre (majorly into Truck & Bus Segment- T& B) and cement, which accounted for 39% and 61% respectively of gross turnover in FY18. KIL's cement manufacturing units have an aggregate capacity of 7.25 million tonnes per annum (MTPA) and are located in Karnataka & Andhra Pradesh. The tyre manufacturing facility of the

AB

company is located at Balasore, Orissa, having an installed capacity to produce 21.65 lakh tyres per annum.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	4,137.42	3,704.57
PBILDT	23.67	(69.28)
PAT	(154.87)	(463.51)
Overall gearing (times)	4.18	4.43
Interest coverage (times)	0.08	NM

A: *Audited*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.*

Analyst Contact:
Name: Ms Mamta Muklania
Tel: 033-4018 1651
Mobile: 98304 07120
Email: mamta.khemka@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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

KESORAM INDUSTRIES LTD. Kolkata

For KESORAM INDUSTRIES LTD.

Authorised Signatory