Review of the financial health of the Indian sugar mills

Indian Sugar Exim Corporation limited

January 2015

Preface

With a worth of approximately INR 80,000 crore, the sugar industry in India produces around 243 lakh tonnes (2013-14) of sugar. Though the industry is generating revenue and employment for the country, it is grappling with serious concerns related to low sugar prices - domestic as well as international, various policies controlling the procurement and pricing of raw material and finished product which is impacting the financial condition of the sugar millers and raising a concern on the sustainability. In light of this, it is important to understand the current financial situation of sugar millers in India and to evaluate factors for revival of this industry.

Through this report a collaborative effort has been made by ISMA and Grant Thornton India LLP to review the financial health of the Sugar Mills in India. It is important to note that debt levels of the industry has reached INR 36,601 crore in the year 2012-13. There has been an increase of almost 3.20 times in the debt levels from 2007-08 (INR 11,443 crore). The need of the hour is government's intervention and stewardship to bring back the growth trajectory for the industry.

The report- **Review of financial health of Indian Sugar Mills** is an attempt to address the grim situation of the Indian Sugar Industry and to evaluate various options for revival including debt restructuring.

We hope that the information presented in this report will serve as a valuable reference to all its stakeholders and will encourage more discussions and policy initiatives around the sustainable development of sugar industry in the country

Abinash Verma

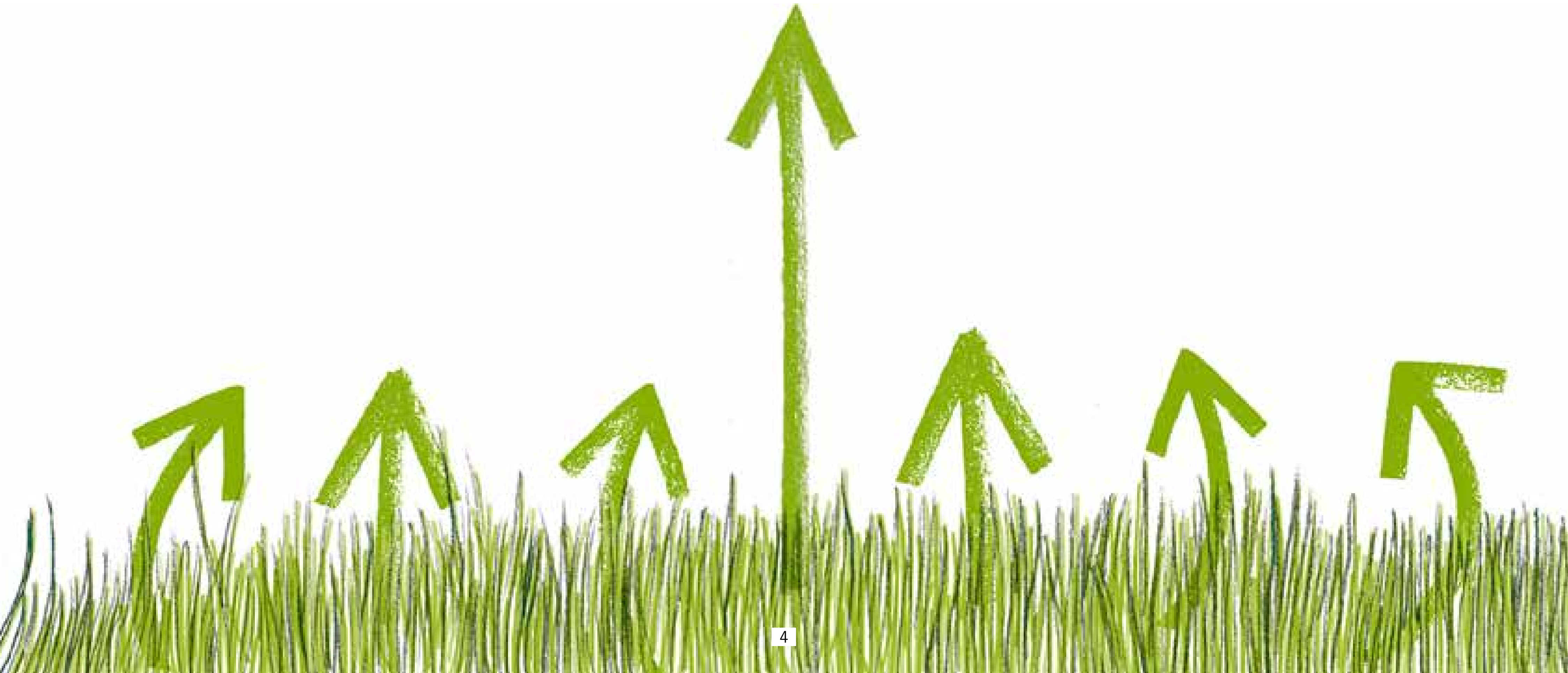
Director General,
The Indian Sugar Mills Association

Rahul Kapur

Partner,
Grant Thornton India LLP

Contents

Executive Summary



Executive Summary

Sugar industry is the second largest agro-based industry after textiles in India. The total sugar production of the country is estimated to be around 243 lakh tonnes (2013-14) of total output worth of around INR 80,000 crore, it is also an important employment generator. As at FY2013-14 5 crore sugarcane farmers and approximately 5 lakh sugar mill workers are directly dependent for their livelihood on sugar industry. India is the second largest producer of sugar after Brazil. Total sugar production of the country is estimated to be 243 lakh tonnes (2013-14).

However, despite generating revenue and employment for the country, the industry is grappling with serious concerns related to sugar prices, low domestic prices of sugar, low international prices of sugar, various policies controlling the procurement and pricing of raw material and finished product. India produced excess sugar for the year ended 30th September'14 and the excess inventory of 75 lakh tonnes before the commencement of the next sugar year is exerting pressure on the domestic ex-mill sugar prices which continue to fall over the past year. A broad comparison of the cost of producing sugar and the ex-mill sugar price realisation would itself reflect the grim situation of the industry wherein significant losses have been reported by the sugar millers.

The position of the sugar mills can be analysed by taking into consideration the below mentioned financial parameters:

- The debt position of the industry is at a level of INR 36,601 crore (2012-13), this was around INR 11,443 crore in the year 2007-08, an increase of almost 3.20 times. Due to lack of information, the outstanding debt balance of sick co-operative units have not been included in the above numbers. However, if they are added it will increase the debt burden of the sugar industry.These co-operatives were shut or sick due to the high debt burden.
- The debt–equity ratio for the industry is also at an alarming level. The ratio for the year 2012-13 was around 1.89:1. This ratio raises questions on the repayment capacity of the loans taken by the sugar industry.
- The net profit ratio of the industry is at a level of 1% for the year 2012-13, the same was around 9% in the year 2008-09.
- The return on capital employed for the industry has also witnesses significant downfall. The ROCE for the industry for the year 2008-09 was 20% which has fallen drastically to a level of 10% for the year 2012-13.
- Interest coverage ratio for the industry is at a level of 1.05 times. The earnings of the industry are barely enough to cover up only the interest cost of the companies, let alone the principal component.

The sugar industry is in a very distressing situation. The sugar mills are stuck in the vicious cycle of increasing losses due to high cost of production and low ex-mill prices, thus leading to its inability to pay the cane price to the farmers. This has led to increased mounting arrears. Thus leading to increased borrowings to operate and finally increased debt levels.

Considering the current status of the sugar industry, it is more likely that the situation would worsen. Therefore, it is advisable that the corrective measures are taken up immediately.

The industry needs to consider some options to overcome its existing financial situation:

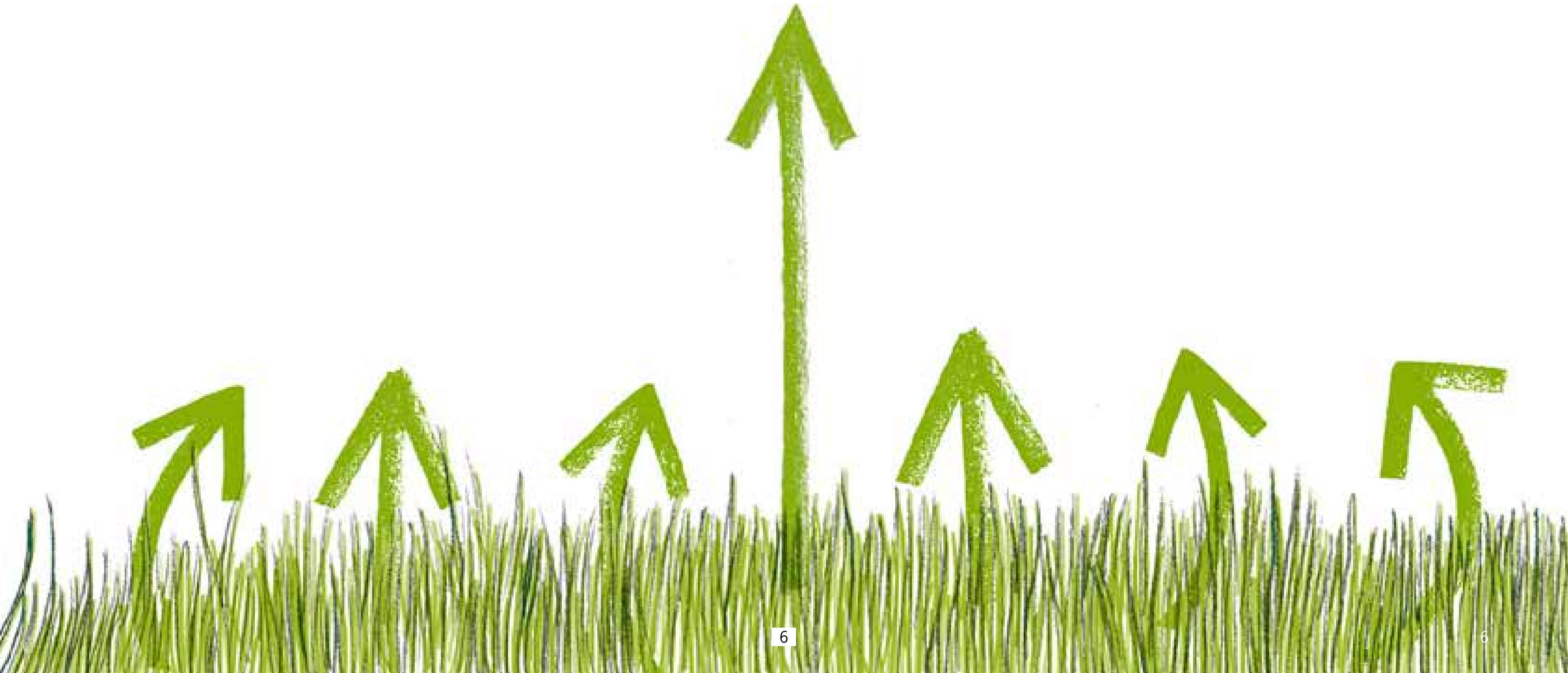
- **Liquidation*-** It is an option available which does not necessarily ensure revival of the industry. Also, it does not safeguard the interest of the lending institution and other stakeholders. However, this is a not a viable option as the industry has the potential to revive and grow.
- **Cost optimisation and better realisation of ex-mill prices-**The other solution which can be considered is looking for factors which result in decrease in cost of production of sugar and better realisation for sugar produce. However, this would require Government intervention and policy formations. Also, the sugar prices are market driven and may not be feasible to control. So, this is not likely to come as an immediate relief to the industry, hence to support the industry from further deteriorating this is not a viable option at present. However, for long term, Government policies and reforms are much needed requirement.
- **Stimulus from Government-**This is one of the viable option for the current situation of the sugar industry. The government may consider the option for creating a corpus of funds for the sugar industry. It would be synonymous financial package.
- **Debt Restructuring-** The alternative which best suits the current situation the sugar industry is to offer a corporate debt restructuring scheme. It is a timely and transparent mechanism for restructuring of debts and also benefits all concerned stakeholders.

There are multiple options available for the revival of the sugar industry, but based on our analysis and study the last two options seem to be the most viable and appropriate.

Note: The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 18. The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi

*Liquidation process is applicable only for companies not for co-operatives.

Sugar Industry and its challenges



6

Indian sugar industry – Production

Introduction - Indian Sugar industry is the second largest agro base processing industry after the cotton textiles industry in the country. The industry has a lion's share in acceleration of industrialisation process and bringing socio-economic changes in under developed areas. Apart from creating a lot of employment opportunities, the Indian sugar mills have been instrumental in initiating a number of entrepreneurial activities in rural India.

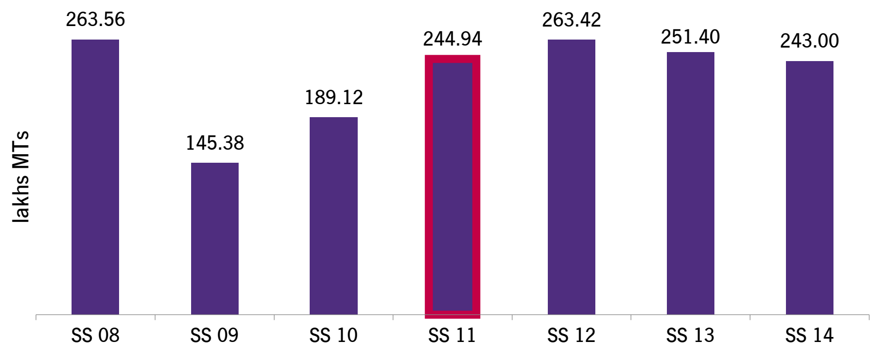
Current Situation - India is the largest consumer of sugar in the world and the second largest producer of sugar. The industry has witnessed a shift in sugar production over past few years. After registering a 8% increase in production in SS 2011-12, the sugar production for the previous seasons registered a decline. As per current estimates, the country's sugar production is around 243 lakh tonnes for SS 2013-14. Even though there has been marginal decline in area under sugarcane for SS 2013-14, the steep decline in production is attributed to various factors like:

- higher diversion of sugarcane to alternate sweetener manufacturers.
- lower sugarcane yields
- delay in commencement of crushing by sugar mills because of the uncertainty on the sugarcane pricing

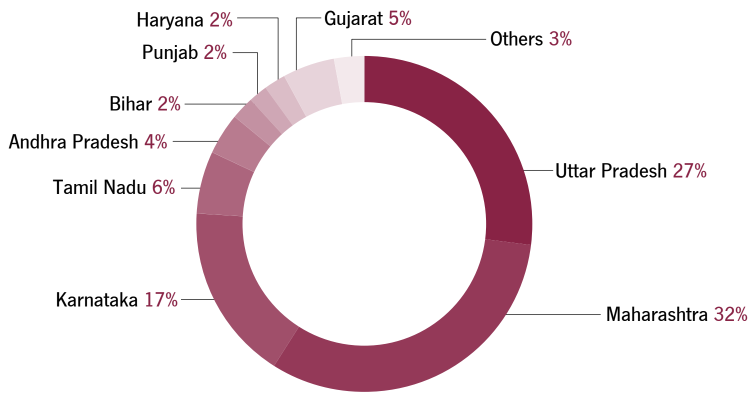
Major Contributors - The major sugar producing states of India are Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu and Andhra Pradesh.

Note: Unless otherwise mentioned, please consider years as sugar season periods

Indian Sugar Production



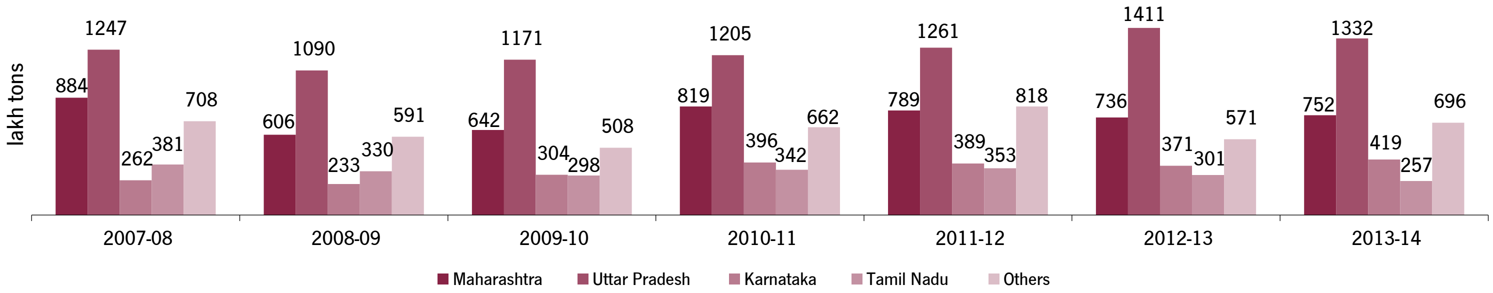
State Wise Production Split (2013-14)



Sugar and sugarcane production

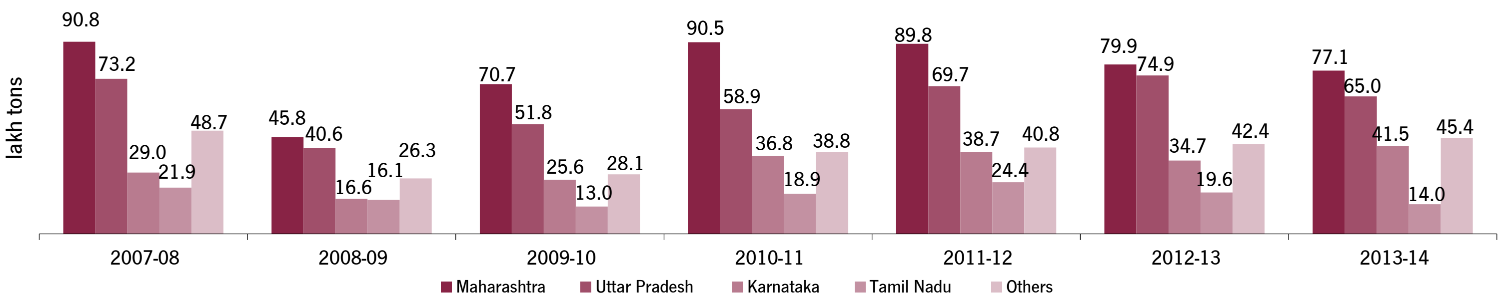
The major sugar producing states of India are Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu and Andhra Pradesh. Maharashtra currently constitutes about 32% of the production, followed by Uttar Pradesh at 27% and Karnataka & Tamil Nadu at 17% and 6% respectively. Uttar Pradesh is the leading sugarcane producer of the country which is the prime raw material for production of sugar in India. UP constitute around 39% to the total sugarcane production of the country, followed by Maharashtra at 21% (2013-14).

Sugarcane - State wise production in India



Source: ISMA and Grant Thornton research

Sugar – State wise production in India



Source: ISMA and Grant Thornton research

Balance sheet of Indian sugar industry

(Lakh tonnes, percentage as appropriate)

		2010-11	2011-12	2012-13	2013-14 (E)
1	**Opening Stock as on 1st October**	49.80	58.54	66.01	92.98
2	**Production during the Season****	243.94	263.42	251.40	243.00
3	**Imports**	-	-	6.76	1.00
4	**Total Availability**	293.74	321.96	324.17	336.98
5	**Consumption/Sale**				
	Internal Consumption	207.69	226.03	227.71	240.00
	Exports	26.00	29.92	3.48	22.00
	Total off take	233.69	255.95	231.19	262.00
6	**Closing Stock as on 30th September**	60.05	66.01	92.98	74.98
7	**Stock as % of Off Consumption/Sales**	28.9	29.2	40.80	31.20

Note: Source: ISMA and Grant Thornton Analysis

**Production/Imports/Exports figures include both White & Raw sugar
Opening stock has been taken from "Directorate of Sugar, Department of Food"

The domestic supply of sugar has outpaced the total demand resulting in higher closing inventory for season 2013-14. Based on the demand, the country's stock to use ratio was 40.3% and 31.2% respectively for the SS 2012-13 and 2013-14, which is higher than the deficit years of 2008-09 and 2009-10. During the SS of 2013-14, the ex-mill prices of sugar (India average) declined to INR 2,988/ quintal from INR 3,140/ quintal (a difference of INR 151 per quintal). This decline can be attributed to higher opening stock and 243 lakh tonnes of sugar production during the season.

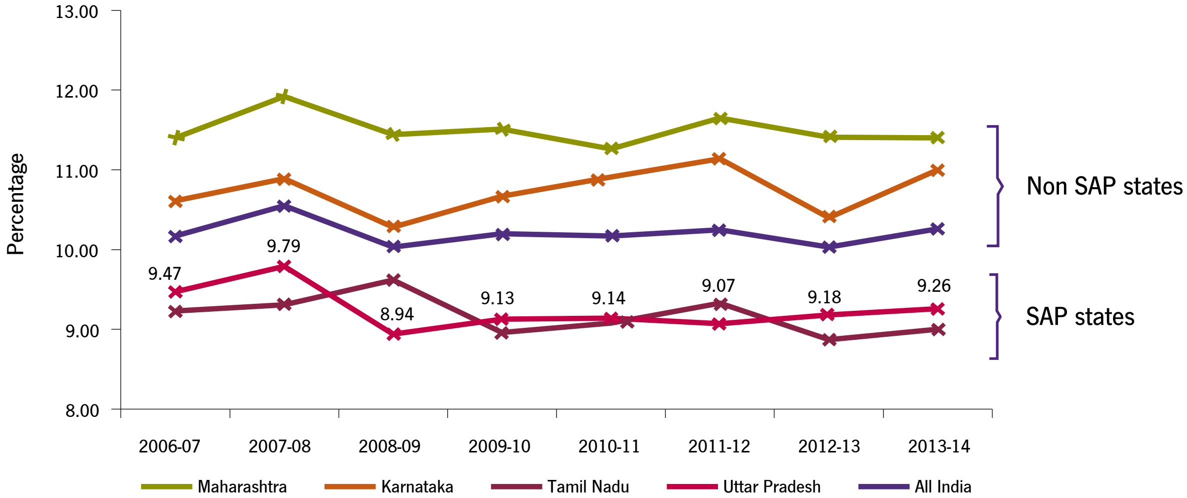
Challenges faced by the sugar industry - Sugarcane & sugar prices

Sugarcane prices in India are controlled by the Central as well as State Government. Each year the Central Government fixes a Fair and Remunerative Price (FRP) to be paid to sugarcane farmers for procurement of sugarcane by sugar mills. Additionally states also fix up a State Advised Price (SAP). The SAP is one of the highest in the state of Uttar Pradesh when compared to other states of India.

The rise in sugarcane prices is visibly higher for the states following SAP. Uttar Pradesh has highest SAP of INR 280/ quintal and very low recovery rates (9.26%) as compared to Maharashtra with cane prices at INR 255/ quintal and recovery rate at 11.4% The combined effect of high SAP and low recovery rates has increased the raw material cost and hence the cost of production for various millers specially in the state of Uttar Pradesh.

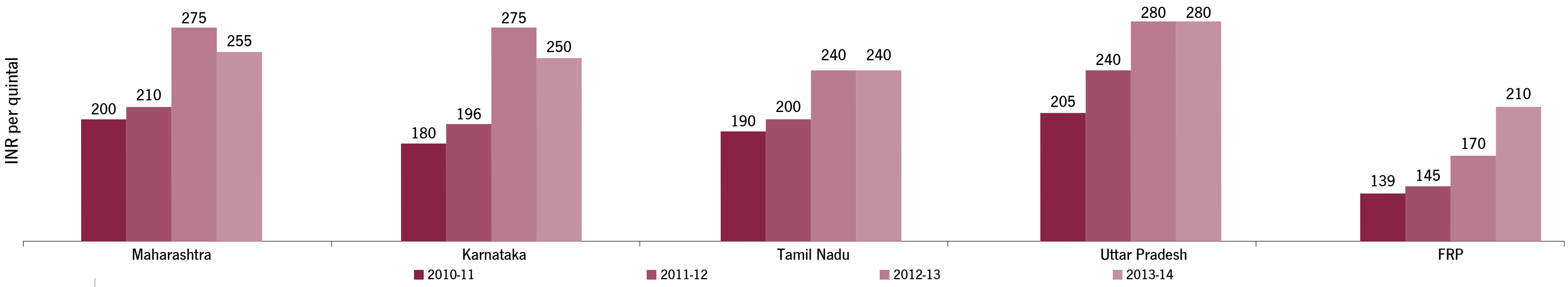
The states of Maharashtra and Karnataka have already adopted the recommendations of the Rangarajan Committee, however other states like Tamil Nadu and Uttar Pradesh are yet to adopt them.

State wise average recovery of sugar in India



Source: ISMA and Grant Thornton research

Cane prices for different states INR / quintal (ex-gate)



Average sugar recovery rate

11.50% for Maharashtra

10.74% for Karnataka

9.17% for Tamil Nadu

9.25% for Uttar Pradesh

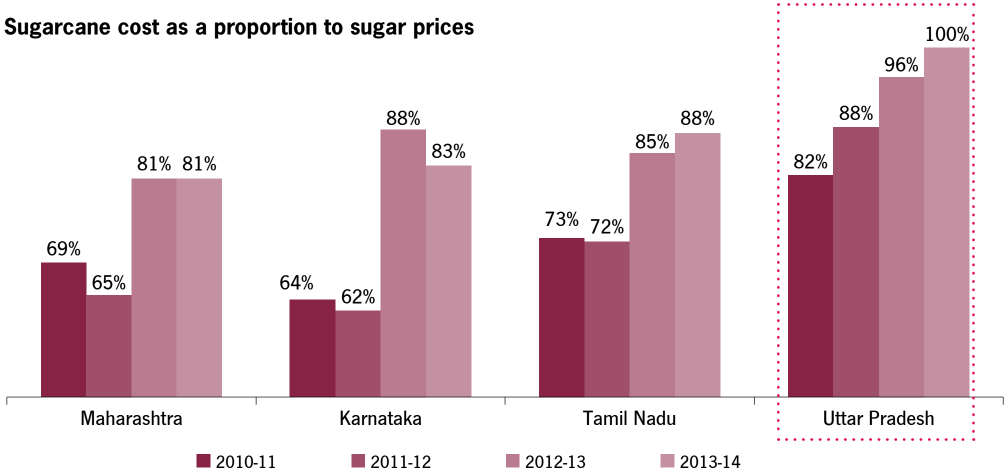
Source: ISMA and Grant Thornton research

Challenges faced by the sugar industry - Sugarcane arrears

Due to high SAP/ cane prices (input cost), high cost of production and low ex-mill prices for sugar, the millers are not making any margins hence resulting into their inability to pay the farmers for sugarcane they procure. This in-turn results into mounting of cane arrears year on year

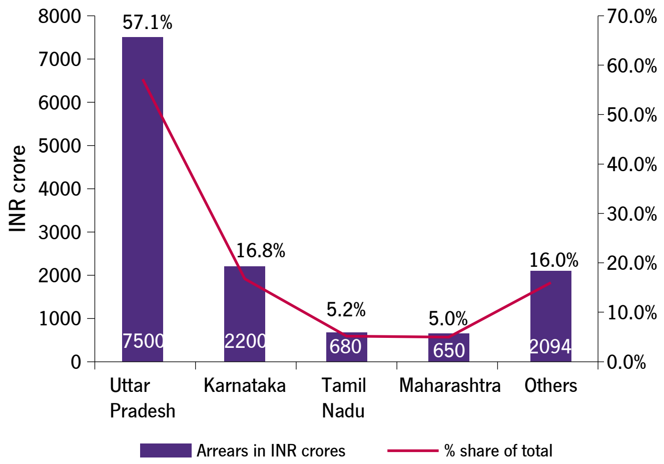
The cane arrears for the sugar industry for the year 2012-13 were around INR 11,990 crore which grew at a CAGR of 18.5% in last 5 years. However, cane arrears for SS 2013-14 stood at INR 13,124 crore as on 31 March 2014. High costs compared with low selling costs have lead to negative earning, resulting in mounting of cane arrears. While SAP is at a much higher level than the FRP fixed by the central government making sugar operations unaffordable and unviable for millers considering the given sugar prices in the country. If this situation persists, it is likely that many sugar factories will close down due to continuous losses being reported. All the leading sugar producing states have witnessed a rise in the sugarcane to sugar price ratio, however the rise for UP is much steep reaching up to 99.8% in SS 2013-14. This ratio is much higher for the states following SAP like UP and Tamil Nadu.

Sugarcane cost as a proportion to sugar prices

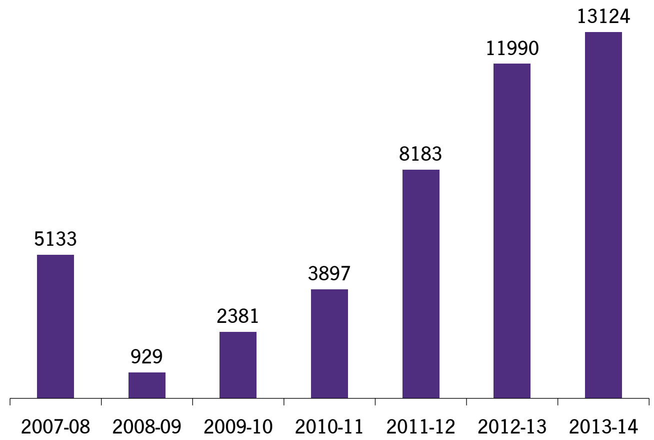


Source: ISMA and Grant Thornton research

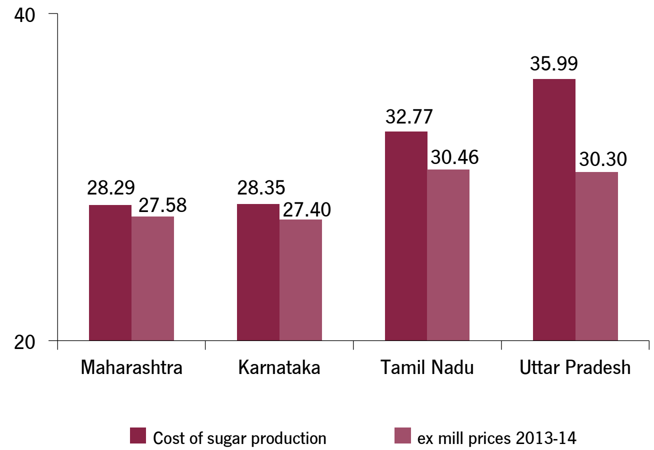
State wise cane arrears in India – 2013-14



Cane arrears for India in INR crore



Cost of sugar production and ex-mill prices of sugar in INR / kg – 2013-14



Source: ISMA and Grant Thornton research

Government support to Indian sugar industry – Regulatory road map

To support the Indian sugar industry various measures were taken by the government as listed below:

- **1993** – Molasses decontrol
- **1994** – Sugar import included in Open general License
- **1997** – Sugar exports de-canalised
- **1998** – Mahajan Committee report – To study policies and regulations on Indian sugar industry
- **2000** – Levy quota reduced – from 40% to 30%
- **2001** – Future trading allowed - Levy quota reduced 30% to 15%
- **2002** – Levy quota reduced 15% to 10%
- **2003** – E-5 blending program announced in 9 states and 4 UT's
- **2004** – Tuteja Committee report – Revitalisation of sugar industry
- **2009** – Thorat Committee report – To suggest road map for sugar sector
- **2010** – Nandkumar Committee report – To determine percentage of realisation for revenue between sugar mills and cane growers
- **2012** – Rangarajan Committee – To study regulations on Indian sector and to suggest ways and means to change those regulations
- **2014** – Import duty increased to 25% from 15%

Journey so far – Despite various government interventions, the sugar industry is struggling to survive

Key takeaways and next steps

The vicious cycle of losses and borrowing is an alarming situation, the next sections details the financial heath of the sugar companies to substantiate the fact.

However, the other major concern which is important at this stage is the role of government and steps to be taken to revive the sugar industry

01 **High sugarcane prices**

- Sugarcane prices are very high. There is a mismatch between SAP and FRP. For example in Uttar Pradesh SAP is around INR 280/ quintal as compared to FRP of INR 210/ quintal
- Cost of sugarcane as a proportion of sugar prices is in the range of 81% to 99.8% (in UP) which is making the sugar milling operations unviable

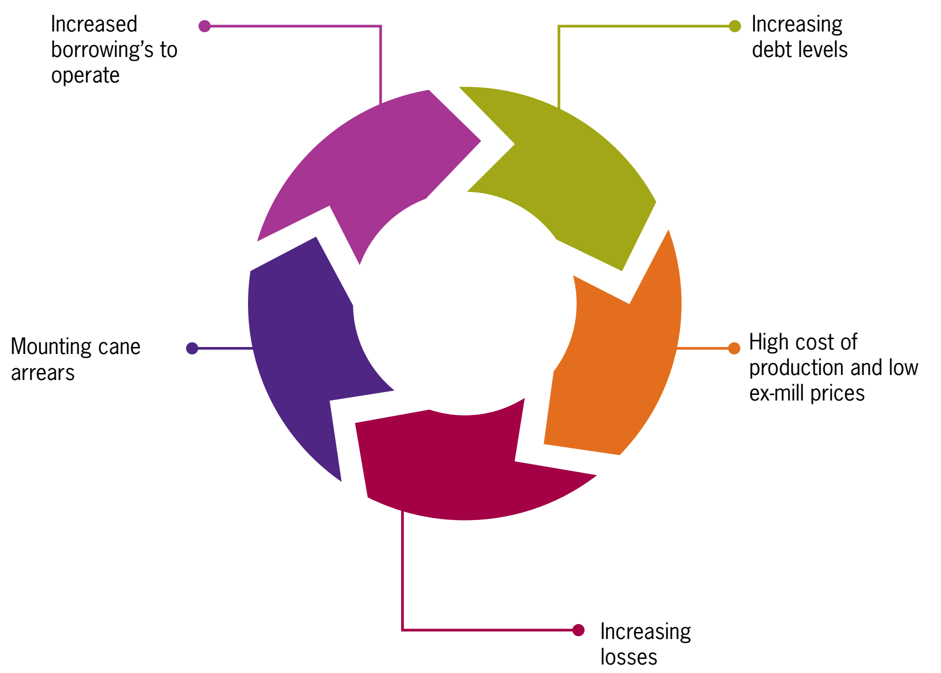
02 **High cost of production**

- Cost of sugar production across India (for leading producers like Maharashtra, Karnataka, Tamil Nadu and UP) is higher than the ex-mill prices. This is resultant of high sugarcane prices
- The ex-mill prices are low due to excess availability if stock and fall in global sugar prices
- The sugar companies are reporting losses as a result
- The net losses INR per kg range – 0.71 to 5.69

03 **Mounting cane arrears**

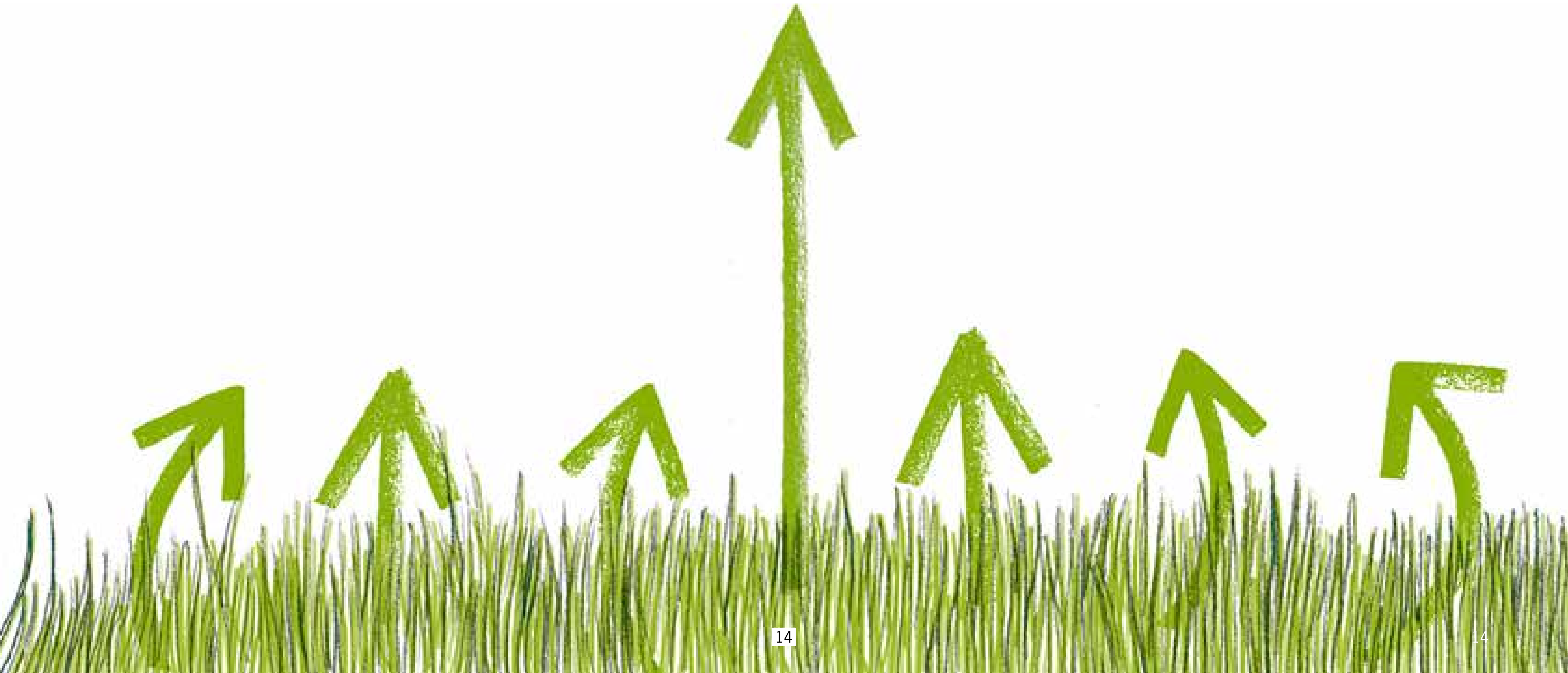
- High SAP/ cane prices, high cost of production and low ex-mill prices for sugar is leading to mounting arrears as millers do not make any margins resulting in their inability to pay the farmers for sugarcane they procure
- The arrears were as high as at INR 13,124 crore (as on 31 March 2014, SS 2013-14)

04 **Deteriorating financial health of the sugar companies**



Detailed analysis taken up in next section

Financial health of sugar industry



Companies/ co-operatives under consideration

The sample (companies and co-operatives) considered for the study constitutes around 78% to the total sugar production of the country

Total Sugar production of India - 251 lakh tonnes

Public and Private Companies

Number of companies considered=74
Sugar production =126 Lakh tonnes (2012-13)
% of total production=50%

Co-operatives

Number of co-operatives considered=91
Sugar production =69 Lakh tonnes (2012-13)
% of total production=28%

Key performance Indicators (KPI's)

1. Revenue
2. PAT
3. EBITDA
4. Interest
5. Debt outstanding
6. Production
7. Return on capital employed,
8. Net profit ratio,
9. Interest coverage ratio,
10. Debt –equity ratio

Companies under consideration –Public and Private companies

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
1	Shree Renuka	1,439,795
2	Bajaj Hindusthan Ltd.	1,305,143
3	E.I.D Parry Ltd	881,071
4	Balrampur Chini Mills Ltd.	823,270
5	Triveni Engineering & Inds. Ltd.	522,192
6	Dhampur Sugar Mills Ltd.	439,153
7	Bannari Amman Sugars Ltd	432,000
8	DSCL	384,270
9	Mawana Sugars Ltd.	304,651
10	Oudh Sugar Mills Ltd.	270,577
11	Rajshree Sugars And Chemicals Ltd	259,067
12	Dalmia	253,391
13	Dwarikesh Sugar Inds. Ltd.	238,107
14	Simbhaoli Sugars Ltd.	223,697
15	Dharani Sugars And Chemicals Ltd	205,200
16	Nsl	200,901
17	Godavri	182,408
18	Uttam Sugar Mills Ltd.	170,504

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
19	Upper Ganges Sugar And Ings. Ltd.	145,611
20	Daurala	139,900
21	Nirani	132,695
22	Saraswati Sugar Mills	127,174
23	The Upper Doab Sugar Mills	125,497
24	Parry Sugar Industries Limited	121,210
25	Ugar Sugar Works Ltd	119,960
26	Upper Ganges Sugar And Ings. Ltd.	119,960
27	Satish Sugars Limited	118,573
28	Harinagar	110,212
29	Shri Prabhulingeshwar Sugars	106,448
30	Kcp Sugars And Inds. Corpn. Ltd	98,499
31	Rana Sugars Ltd.	94,512
32	Kothari Sugars And Chemicals Ltd	93,830
33	Rai Bahadur	93,465
34	S B E C Sugar Ltd.	90,941
35	Lokmangal Sugar Ethanol & Co.	89,756
36	The Seksaria Biswan Sugar Factory Ltd.	86,729

Companies under consideration –Public and Private companies (contd.)

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
37	Indian Cane	86,587
38	Thiru Arooran Sugars Ltd	84,166
39	L.H. Sugar Factories Ltd.	83,434
40	Bhairavnath Sugar Works	81,981
41	Gangakhed Sugar & Energy	80,220
42	India Sugars And Refineries Ltd	79,432
43	Kesar Enterprises Ltd.	78,419
44	Gem Sugars Ltd	73,856
45	Vishwaraj Sugar Industries Ltd.	70,950
46	Daund	70,930
47	Kpr Sugar Mills Pvt. Ltd	70,100
48	Coromandel	65,310
49	Ponni Sugar Industries Ltd	65,270
50	Sadishva	65,122
51	Gayatri Sugar	62,203
52	Indian Sucrose Ltd.	59,925
53	United Province	59,311
54	Athani	57,250
55	Tirupati Sugars Ltd.	54,729

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
56	Ganpati	54,092
57	Yadu	45,575
58	Shivashakti Sugars Ltd	45,035
59	Bilagi	44,639
60	Siddhi Sugar & Allied Ind. Ltd	42,960
61	Picadilly Agro Industries Ltd.	42,074
62	Nahar	40,520
63	Trident Sugars Ltd	40,373
64	Navabharat Ventures Ltd.	40,344
65	Riga	40,235
66	Vishnu Sugar Mills	40,128
67	Vishnu Sugar Mills Ltd.	40,128
68	Matoshri Laxmi Sugar Co-Gen. Ind. Ltd	38,466
69	Naraingarh Sugar Mills Ltd	37,029
70	Prudential	29,219
71	Empee Sugars And Chemicals Ltd	24,596
72	Ravalagaon Sugar Farm Ltd	12,145
73	Dollex Industries	Closed
74	Jayashree Sugars	44,164

Co-operatives under consideration

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
1	Jawahar	1,646,060
2	Padmabhushan Krantiveer	912,150
3	Vitthal SSL	737,000
4	Bhogwati SSk	650,660
5	Sant Tukaram	490,880
6	The Batala Co-op	373,520
7	Harayana Co-op	343,300
8	Makai SSK	301,530
9	Vasant SSK	291,200
10	Baghpat Co-op	278,570
11	Kadwa Ssk Ltd	255,311
12	Bhaurao	252,509
13	Dharampuri Co-op	225,850
14	Tirutaani Co-op	222,360
15	Vellore Co-op	217,490
16	Khedut	189,248
17	Amarvathi Co-op	185,520
18	Vitthal Rao Shinde Ssk Mah	175,000

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
19	Palwal Co-op	169,290
20	Ambur Co-op	154,920
21	Shree Datta Shirol-Ms	148,323
22	Mhuva	139,616
23	Budhewal	139,412
24	Shayadri Ssk Maht	136,205
25	Shri Pandurang Solapur	133,663
26	Sahakari Khand Gandevi Gjrt	122,883
27	Fazilka	111,541
28	Shree Sayan Vibhag	104,945
29	Sahakarmaharshi Ahmednagar	104,128
30	Shree Doodhganga Karnat	102,799
31	Nandi Ssk- Bijapur	96,924
32	Batla	95,145
33	Nadippisai Pulavar	95,090
34	Chatrapati	93,473
35	Chaltan	93,015
36	Kisan Veer	85,490

Co-operatives under consideration (contd.)

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
37	Narmada	77,850
38	Bhimashankar Ssk Pune	76,196
39	Shri Hiryankeshissk-Belgaum	75,410
40	Kumbhi Kasari Ssk Ms	74,784
41	Raosahebdada	72,710
42	Chhatrapati	72,550
43	Shree Khedut -Pandvai	69,380
44	The Sanjivani Ssk Ltd	68,528
45	Sadashivrao Mnaglik Kolhapur	67,371
46	Rena Sahkari Ssk Dilipnagr Ms	60,430
47	Shri Sant Ssk Mangalwedha	57,858
48	Shri Shankar Ssk Solapur	56,985
49	Sarjoo Sahkari-Kheri Up	56,492
50	Krishna Ssk Athani	54,530
51	Kamrej Vibhag Surat	51,514
52	Majalgaon -Ssk Ms	51,200
53	Sahakar Shiromani Vasantrao	49,870
54	Samarth Ssk Ankushnagar Ms	49,457

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
55	Chodavaram Coop Ap	48,280
56	Kisan Sahkari -Kheri	45,730
57	Kisan Sah Mills Lakhimpuri	45,730
58	Shahbad Coop-Haryana	45,483
59	Naranja Ssk	45,353
60	Agasti Ssk Ltd Ahmednagar Ms	41,874
61	Kalkurichi Coop Sugar Tnadu	37,510
62	Subramaniya Sica Coop Tn	36,581
63	Kalakurichi-Ii	36,083
64	Gangakishan Sahkri Mujafrngr	35,094
65	Kisan Sahkari Bijnor	34,510
66	Shree Halasidhanath-Belgaum	34,442
67	Salem Coop	33,417
68	Naval Singh Ssk Maryadit	30,987
69	Cheyyar Tamil Nadu	28,327
70	Hafed Sugar Assandh Haryna	27,268
71	Madhukar Ssk Ltd	26,730
72	Kisan Sahkari Anoopshahr	26,475

Co-operatives under consideration (contd.)

S.no	Name of Company	Sugar Production (2012-13 in tonnes)
73	Karnal Coop Haryana	26,408
74	Nawanshahr Coop. Punjab	25,853
75	Kisan Sahkari Bareily Up	24,872
76	Mr Krishna Murthy-Cuddalore	24,431
77	Bhurao Chavan Ssk Ms	24,317
78	Shree Ganesh Khand Gujrat	24,227
79	Kisan Sahkari (Amroha)	24,227
80	Kaithal Coop Haryana	23,700
81	Shravasti Kisan Bharaich Up	22,553
82	Panipat Coop-Haryana	21,085
83	Sonipat-Haryana	19,710
84	Shree Bileshwar Kodinar	18,361
85	Morinda Coop Morinda	17,311
86	Gurdas	16,836
87	Tirupattur Coop Tn	16,070
88	Kisan Sahkari -Kaimganj	14,524
89	Bhogpur Coop Bhogpur	12,745
90	Nakodar Coop Jalandhar	9,500
91	Shrigonda Ssk	53,216

Financial snapshot

- The industry has a revenue of INR 77,299 crore in the year 2012-13 as compared to revenue of 68,187 crore in the year 2011-12
- To manage increased burden of losses companies resorted to the debt market which on the year stood at INR 36,601in the year 2012-13 and INR 34,584 crore in the year 2011-12
- There are a number of co-operatives that have already gone financially sick. The outstanding debt balance of these sick co-operatives have not been included in our sample. If the debt levels for these are also added, it will depict a much more grim picture of the sugar industry.

Consolidated (Public, Private companies and co-operatives) in INR crore

INR crore	2012-13*	2011-12	2010-11	2009-10	2008-09	2007-08
Revenue	77,299	68,187	51,751	38,888	28,367	18,073
EBITDA	9,257	7,737	5,857	6,366	7,016	2,578
EBIT	4,932	4,723	3,657	4,285	4,927	2,017
PAT	918	791	799	1,936	2,512	161
Interest Expense	4,707	3,677	2,741	1,815	1,432	932
Capital Employed	47,411	41,571	36,791	30,724	24,238	23,188
Debt	**36,601**	**34,584**	**28,539**	**23,270**	**15,750**	**11,443**
Equity	19,321	19,008	17,320	16,580	14,049	11,744
Working Capital	(2,401)	2,598	10,708	11,499	9,615	5,080
Total Assets	113,042	90,575	68,751	56,476	37,978	28,202
Current Assets	51,960	42,478	33,061	29,393	17,623	10,094
Current Liabilities	54,360	39,879	22,353	17,894	8,008	5,014

*The above financial performance for FY12-13 includes financial statements of Bajaj Hindustan Ltd and Triveni Engineering Ltd for 18 months ended 31st March 2014. These companies changed their financial reporting to 18 months period in the current reporting period

Note: The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial snapshot (contd.)

Public and Private (INR crore)						
INR crore	**2012-13**	**2011-12**	**2010-11**	**2009-10**	**2008-09**	**2007-08**
Revenue	59,137	52,140	41,434	36,057	28,267	18,073
EBITDA	6,359	5,831	4,922	5,849	6,916	2,578
EBIT	2,333	3,120	2,993	3,880	4,827	2,017
PAT	(819)	(75)	612	1,696	2,412	161
Interst Expense	3,856	2,932	2,254	1,656	1,432	932
Capital Employed	33,613	30,301	27,980	29,111	24,238	23,188
Debt	**25,955**	**25,781**	**21,929**	**21,226**	**15,750**	**11,443**
Equity	17,437	17,136	15,835	16,244	14,049	11,744
Working Capital	(7,720)	511	8,324	11,358	9,615	5,080
Total Assets	90,415	71,340	53,796	53,148	37,878	28,202
Current Assets	37,873	30,901	24,334	27,468	17,623	10,094
Current Liabilities	45,594	30,390	16,010	16,110	8,008	5,014

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial snapshot (contd.)

Co-operatives (INR crore)						
INR crore	**2012-13**	**2011-12**	**2010-11**	**2009-10**	**2008-09**	**2007-08**
Revenue	18,162	16,047	10,317	2,831	-	-
EBITDA	2,898	1,906	934	518	-	-
EBIT	2,599	1,604	664	405	-	-
PAT	1,737	866	187	240	-	-
Interst Expense	850	745	488	158	-	-
Capital Employed	13,798	11,269	8,811	1,613	-	-
Debt	**10,646**	**8,803**	**6,610**	**2,044**	**-**	**-**
Equity	1,883	1,872	1,485	336	-	-
Working Capital	5,320	2,087	2,384	141	-	-
Total Assets	22,627	19,235	14,955	3,329	-	-
Current Assets	14,086	11,577	8,727	1,925	-	-
Current Liabilities	8,767	9,490	6,343	1,784	-	-

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial snapshot (for FY13-14)

Public and Private Companies

74 — Total companies under consideration

30 — Data available for the year 13-14

41% — Percentage of companies covered

Co-operatives

91 — Total companies under consideration

21 — Data available for the year 13-14

23% — Percentage of companies covered

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information provided to us by NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial snapshot (for FY13-14) (contd.)

FY 2013-14 (INR crore)			
INR crore	**Consolidated**	**Public & Pvt.**	**Co-operatives**
Revenue	36,807	34,323	2,484
EBITDA	2,091	1,799	292
EBIT	961	739	222
PAT	(1,447)	(1,425)	(22)
Interst Expense	2,236	1,994	242
Capital Employed	28,614	26,859	1,755
Debt	**17,136**	**15,144**	**1,992**
Equity	12,583	12,250	333
Working Capital	1,204	1,084	120
Total Assets	58,862	54,936	3,926
Current Assets	31,408	29,162	2,246
Current Liabilities	30,204	28,077	2,127

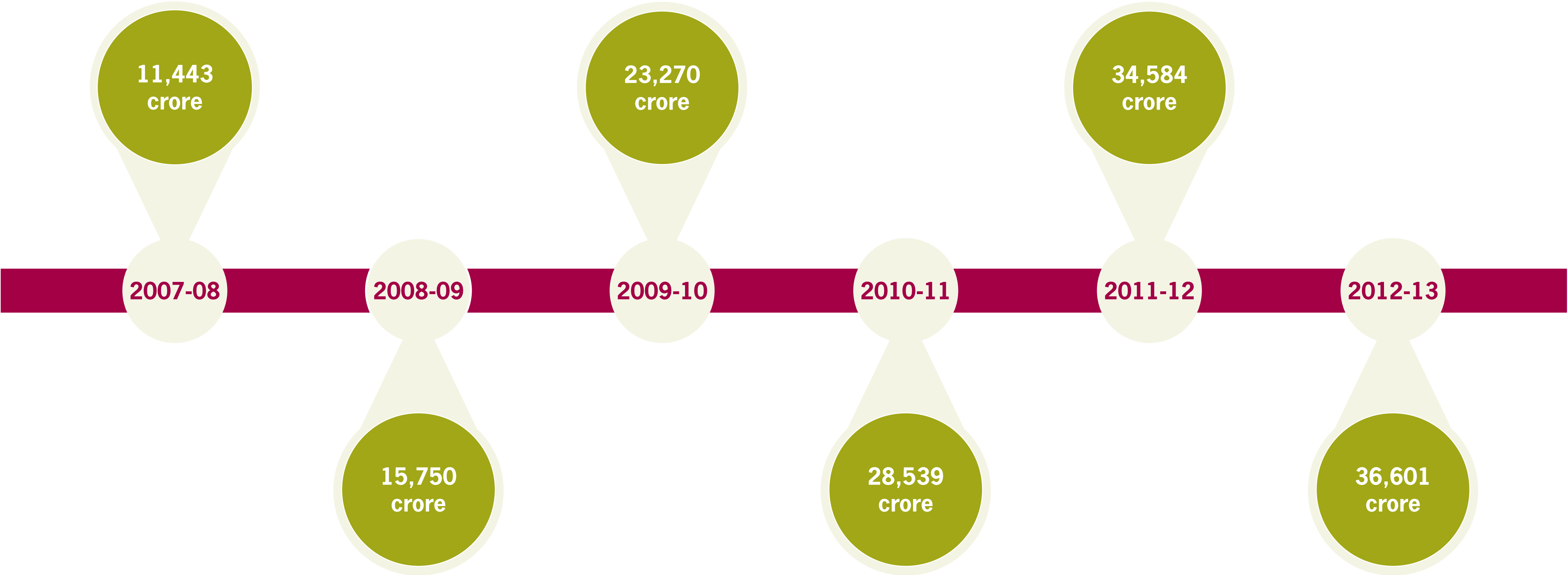
Financial statement for FY 13-14 was available for only limited number of companies and co-operatives, hence, it was not appropriate to compare the consolidated industry financial results with the previous years.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information provided to us by NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Debt position

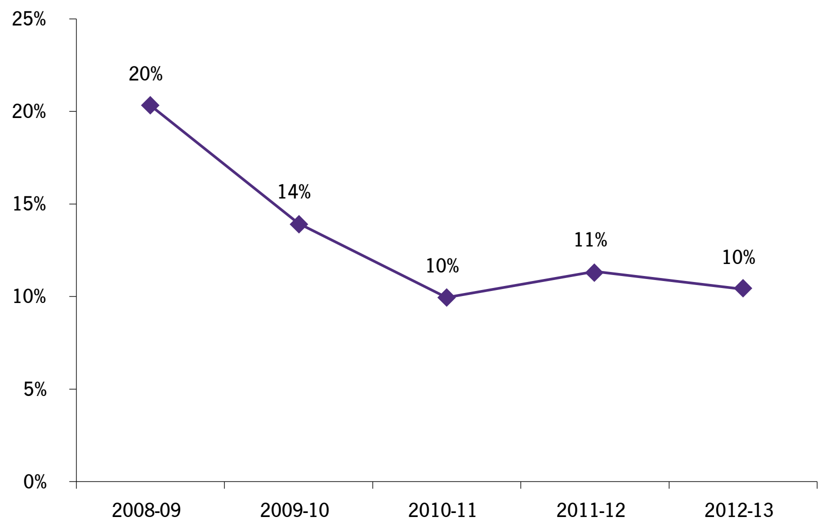
The debt levels for the sugar industry have increased from 11,443 crore in 2007-08 to 36,601 crore (2012-13), increase of almost 3.20 times. Out of INR 36,601 crore, private and public companies constitute about 25,955 crore of debt and co-operatives about 10,646 crore.



Financial indices- Indian sugar industry (analysis till 12-13)

Net Profit Ratio = PAT/ Revenue

Return on capital employed (ROCE) =EBIT/Capital Employed



- The return on capital employed for the industry has also witnessed significant downfall.
- The return which was around 20% in the year 2008-09, fell to a level of 14% in the year 2009-10. Currently it is at a level of 10% for the year12-13
- The low return on capital has prompted investors either to withdraw their funds from this industry or invest with caution

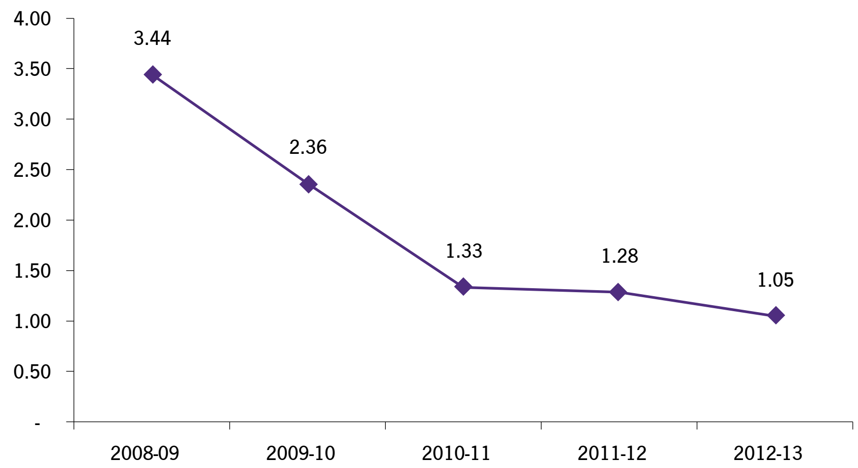
- The net profit ratio for the industry in the year 2008-09 was around 9%
- With increasing losses, the current net profit ratio for the industry is around 1% (2012-13).
- The sugar industry has witnessed significant losses due to its high cost of production and committed interest payments.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

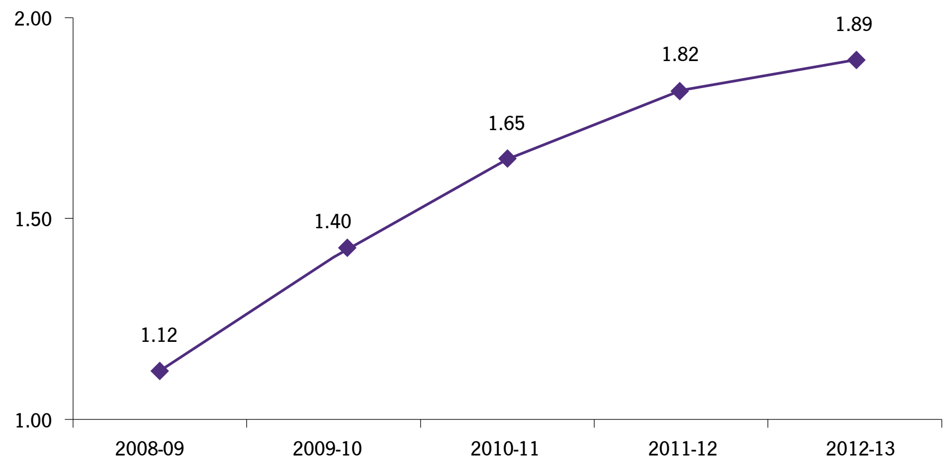
The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices –Indian sugar industry (analysis till 12-13) (contd.)

Interest Coverage Ratio = EBIT/Interest expense



Debt-Equity Ratio = Debt/ Equity



- The debt position of the industry is alarming and raises concerns on the ability of the industry to repay
- The debt equity ratio which was 1.12 in the year 2008-09, rose to a level of 1.65 in the year 2010-11 and has now reached to a level of 1.89 in the year 2012-13

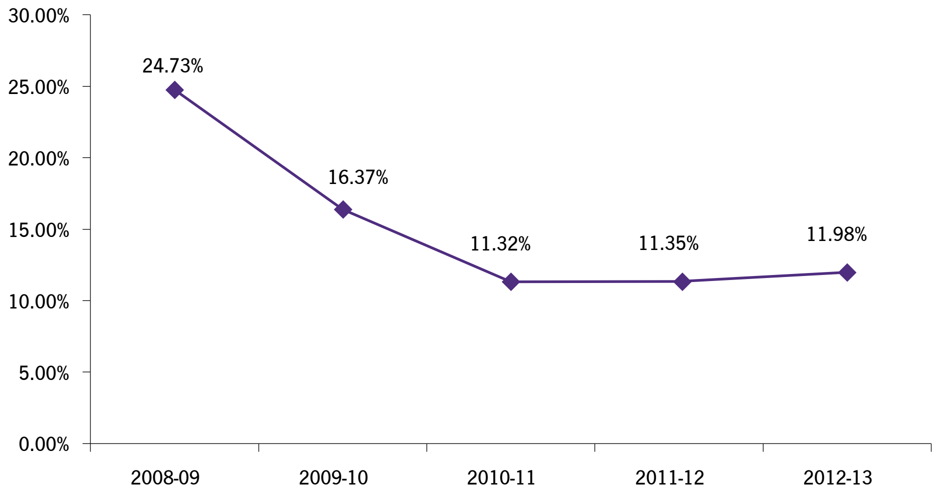
- Low earnings and high committed interest costs are raising concerns on the repayment capacity of the industry.
- The interest coverage ratio which was around 3.44 times in the year 2008-09 has fallen drastically to a level of 1.05 times in the year 2012-13
- An illustrative example to assess this ratio would be to suggest that if a company earns Rs 105 each year, it pays out Rs 100 in the year towards interest payment. Accordingly, it may not have enough cash remaining to pay principal amount of the loan.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices –Indian sugar industry (analysis till 12-13) (contd.)

EBITDA Percentage= EBITDA/Revenue



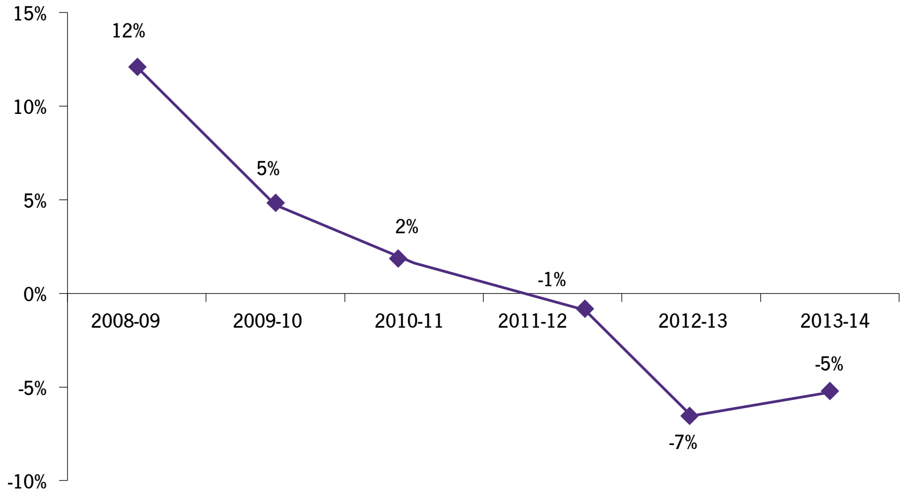
- EBITDA(Earning before interest tax depreciation and amortisation) of the industry has also witnessed an decreasing trend
- The EBITDA percentage of the industry was at a level of 24.73% in the year 2008-09
- The EBITDA percentage fell to a level of 16.37% in the year 2010-11 and has further come down to a level of 11.98%

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

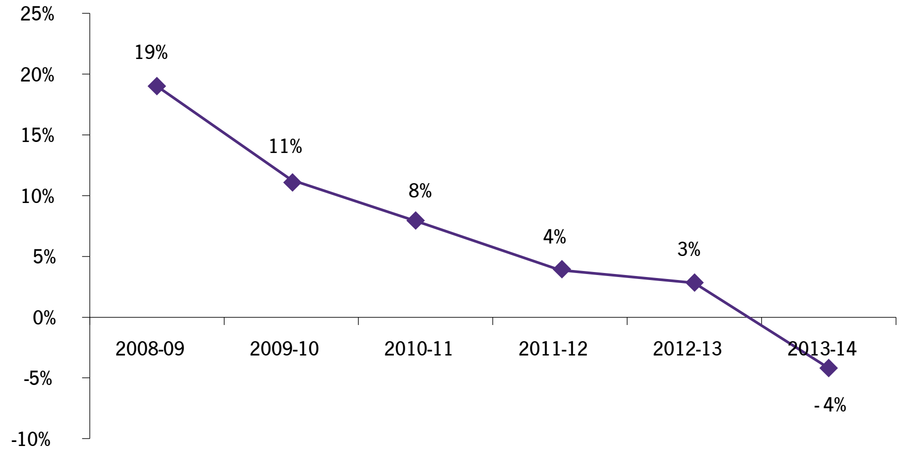
Financial indices of top 5 companies (on the basis of production)

Net Profit ratio



Net Profit Ratio = PAT/ Revenue

Return on Capital Employed



Return on capital employed (ROCE) =EBIT/Capital Employed

- The return on capital employed (ROCE) of the top 5 privates sugar companies has witnessed a significant downfall
- From a level of 19% in the year 2008-09, it has reached a level of -4% in the year 2013-14

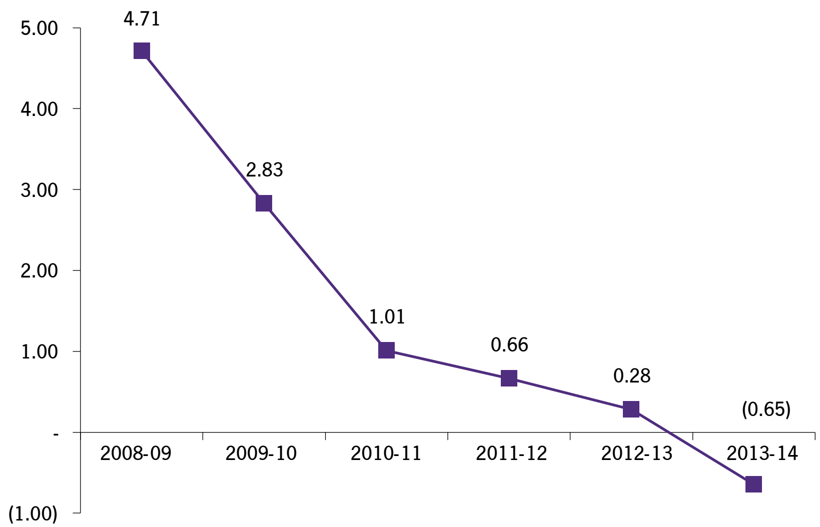
- The net profit ratio of the top 5 private companies has also witnessed a steep decline
- The net profit ratio which was 12% in the year 2008-09 has come down to a level of -5% in the year 2013-14

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

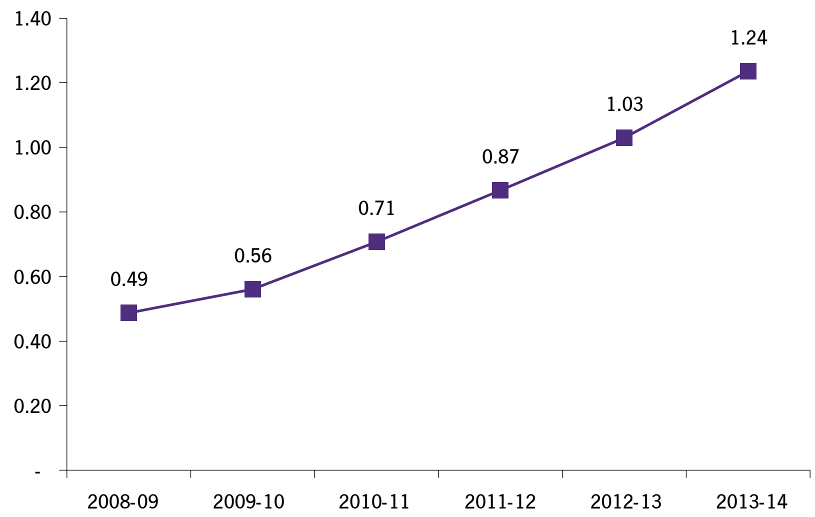
The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices of top 5 companies (on the basis of production) (contd.)

Interest Coverage Ratio = EBIT/Interest expense



Debt-Equity Ratio = Debt/ Equity



- High cost of production, low earnings have resulted in mounting debt levels
- The ratio which was 0.49 in the year 2008-09 has increased to a level of 0.71 in the year 2010-11 and further increased to a level of 1.24 in the year 2013-14.

- The interest coverage ratio of these companies has not been favorable
- The ratio which was 4.71 in the year 2008-09 has fallen to a level of -0.65 in the year 2013-14, depicting the inability if these companies to service their interest obligations

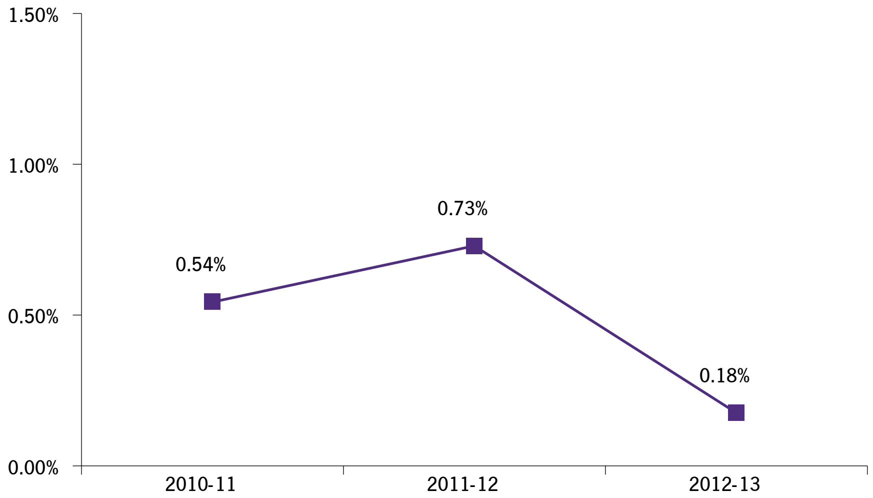
Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices of top 5 co-operatives (on the basis of production) (contd.)

Co-operatives under consideration are Jawahar Shetkari Sahakar Kharkhana, Shree Datta Shirol, Budhewal Co-op sugar mills, Mahuva Pradesh Sahakari Khand Udyog Mandli and Vitthal Rao Shinde SSK

Net Profit ratio



Net Profit Ratio = PAT/ Revenue

- Although the return on capital employed is positive, however, it is still comparatively low as compared to return from other sectors.
- The return on capital employed has declined from a level of 3.85% in the year 2010-11 to 2.83% in the year 2012-13.

Return on capital employed

Return on capital employed (ROCE) =EBIT/Capital Employed

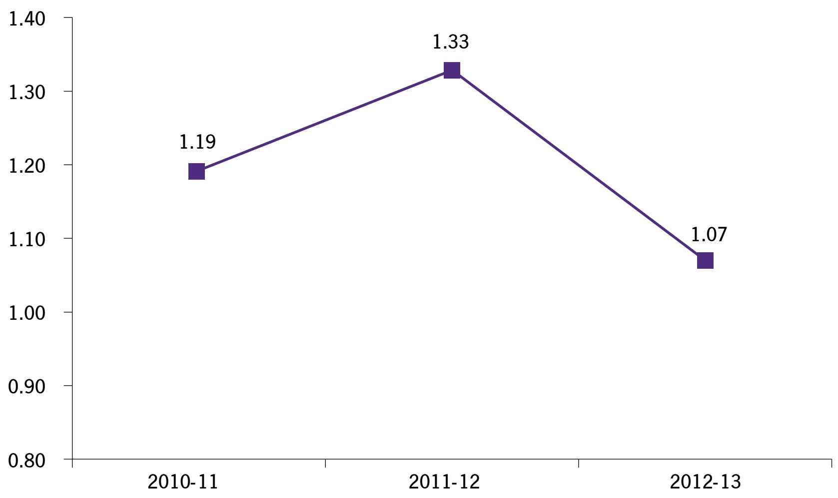
- The situation for co-operatives is also critical as they are also not able to earn enough margins.
- For the last 3 years, the co-operatives are operating at a break even point, with just enough to cover its operating expenses
- The profit margins are also affected by high interest payments.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices of top 5 co-operatives (on the basis of production) (contd.)

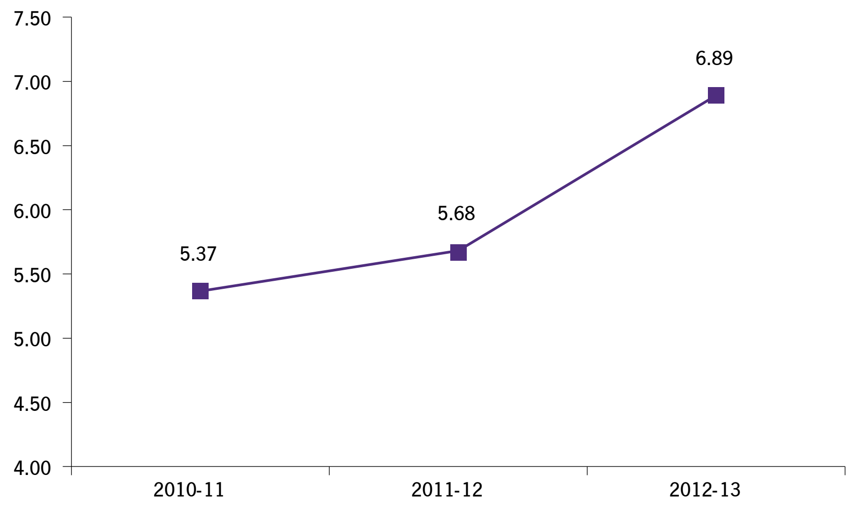
Interest Coverage ratio



Interest Coverage Ratio = EBIT/Interest expense

- The debt-equity ratio has reached to a level of 6.89 in the year 2012-13, from a level of 5.37 in the year 2010-11
- Vitthal Rao Shinde SSK - Maharashtra has significant burden of debt to the tune of INR 460 crore, followed by Shree Datta Shirol which has a debt outstanding to the tune of INR 265 crore

Debt-Equity ratio



Debt-Equity Ratio = Debt/ Equity

- The earnings for co-operatives is generally utilised to meet the interest expense, as a result there is no or negligible margins for these co-operatives
- The interest coverage ratio has declined from a level of 1.19 in the year 2010-11 to a level of 1.07 in the year 2012-13

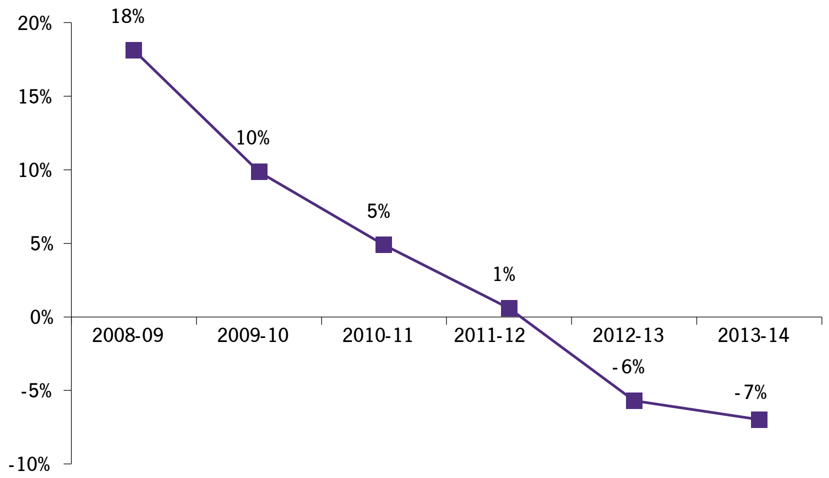
Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

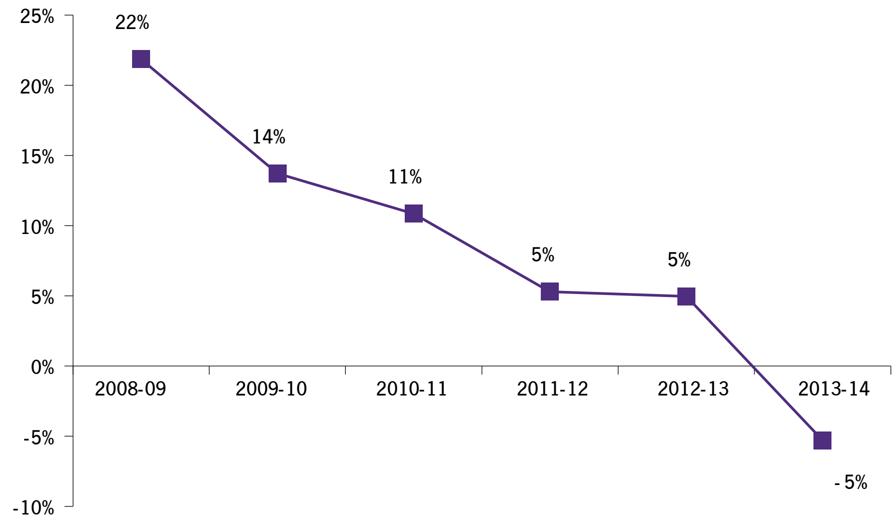
Financial indices of top 5 companies (on the basis of debt levels)

Companies under consideration are Shree Renuka Sugars, Bajaj Hindustan Ltd, E.I.D.Parry Ltd, Navbharat and Nahar

Net Profit ratio



ROCE



- The large players of the sugar industry have been losing investors confidence on account of negative return on capital employed
- The industry have been of late also witnessing investors withdrawing their investments from the sugar industry
- Return on capital employed fell to a level of -5% in the year 2013-14 from a level of 22% in the year 2008-09

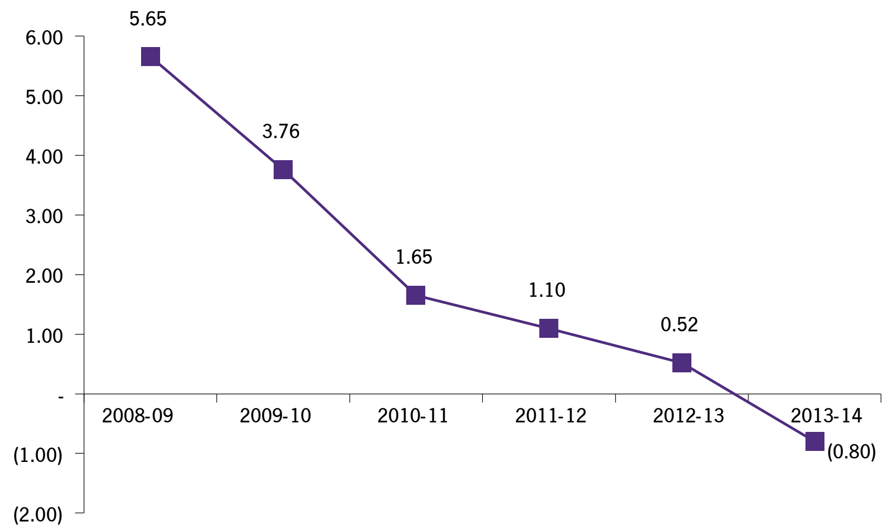
- From a level of 18% in the year 2008-09, the net profit ratio has come down to level of 5% in the year 2010-11, and has further decline to a level of -7% in the year 2013-14.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices of top 5 companies (on the basis of debt levels) (contd.)

Interest Coverage ratio



Debt-Equity ratio

- The debt equity ratio has increased to a level of 1.73 in the year 2012-13 from a level of 1.20 in the year 2008-09
- The debt equity position was not favorable in the year 2008-09, since no corrective measures were taken, the situation has further worsened
- It is hence, imperative to take corrective measures so that the debt situation of the industry is controlled and preventing it from getting further deteriorated

- The interest expense of the major private sugar companies have increased by more than 3 times
- The earnings before interest and taxes on the other hand has reached negative figures in the year 2013-14
- The interest coverage ratio which was as huge as 5.65 in the year 2008-09, has fallen to a level of 1.10 in the year 2011-12 and has now reached to a level of -0.80 in the year 2013-14

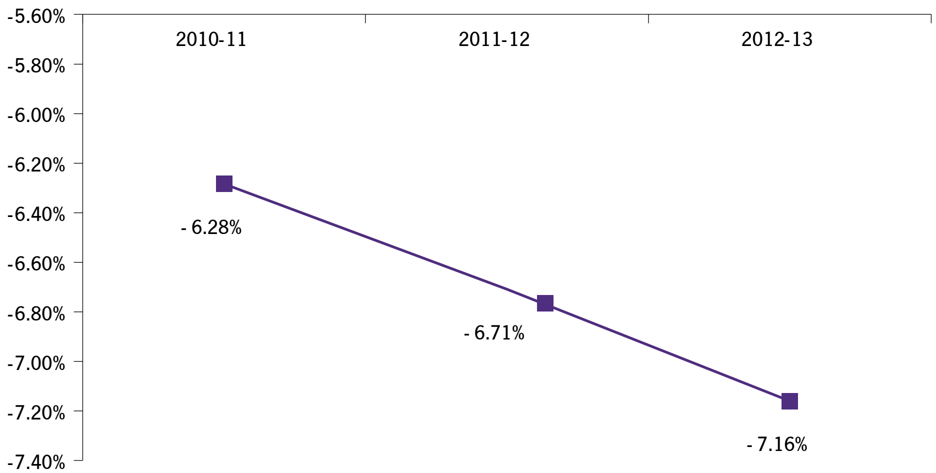
Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

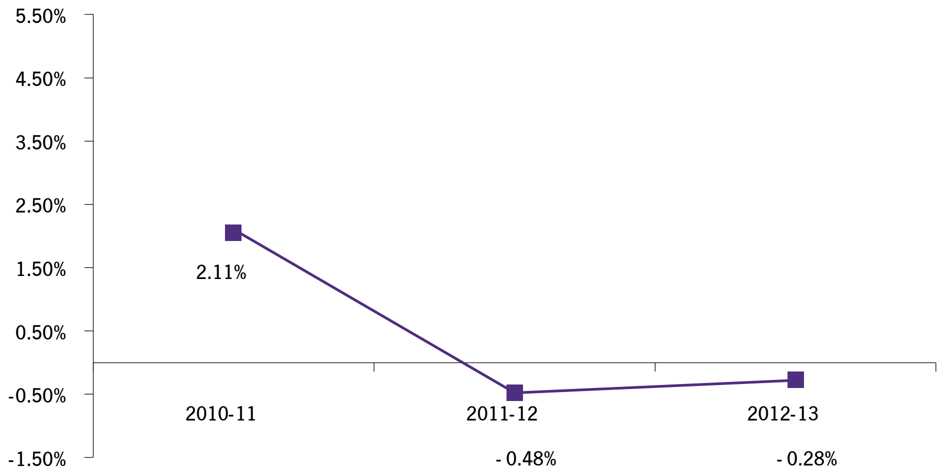
Financial indices of top 5 co-operatives (on the basis of debt levels) (contd.)

Co-operatives under consideration are Sarjoo Sahkari Kheri –UP, Kisan Sahkari Sampurna Nagar, Kisan Veer Satar SSK, Shri Shankar SSK Solapur and Vitthal Rao Shinde SSK

Net Profit ratio



ROCE



- The ROCE which was around 2.11% in the year 2010-11 has reached to a level of -0.28% in the year 2012-13

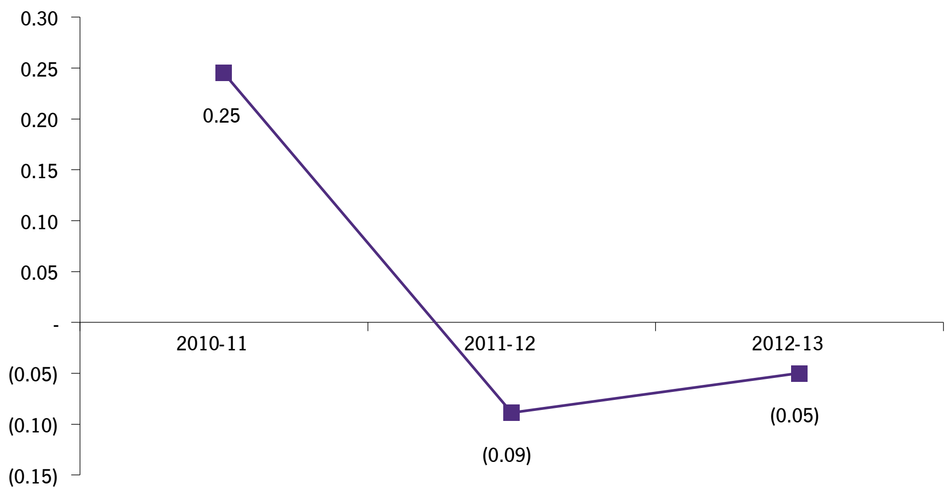
- The Co-operatives with high debt levels have been witnessing very substandard performance
- They have been operating at losses for the past 3 consecutive years

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

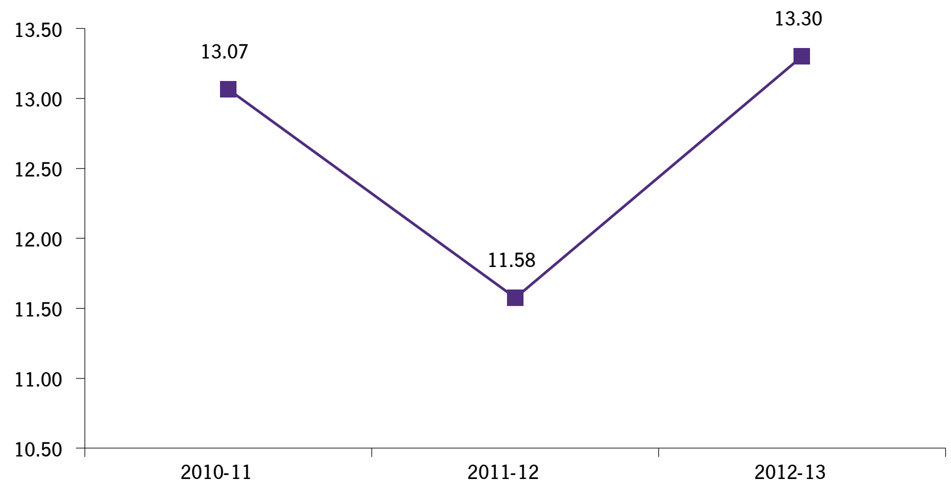
The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Financial indices of top 5 co-operatives (on the basis of debt levels) (contd.)

Interest Coverage ratio



Debt-Equity ratio



- All these selected co-operatives have debt levels ranging between INR 250-400 crore.

- The interest coverage ratio has been depicting negative earning before interest and taxes for two consecutive years i.e. 2011-12 and 2012-13

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Key takeaways and way forward

Total debt for the sample considered (2012-13)
INR 36,601 crore

Total profit/(loss) for the sample considered (2012-13)
INR 918 crore

Debt-equity ratio for the sample considered (2012-13)
1.89

- **Considering the current status of the sugar industry, it is likely that the situation would become more grim**
- **It is advisable that the corrective measures are installed in the industry immediately**

In order to evaluate if debt restructuring could be used as a stimulus for the industry, we have evaluated how a similar debt restructuring package for Textile industry in India was envisaged and implemented.

Note - The financial analysis of the companies/ co-operatives in this section is based on the sample of such companies and co-operatives. The analysis does not include the financial results of the entire population of sugar mills (whether public, private or co-operative). Our analysis is based on a sample described in slide 15

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.). For the co-operatives we have relied on the information obtained from NFCSF(National Federation of Co-operatives Sugar Factories Ltd.) New Delhi.

Alternatives available with sugar industry

Liquidation

- The liquidation process is not an option for the revival of sugar industry
- Also it does not safeguard the interest of the lending institutions and other stakeholders
- So, this option does not seem to be viable for the sugar industry as the industry has the potential to revive and grow

Cost optimisation and better realisation

- The other solution which can be considered is looking for factors which result in decrease in cost of production of sugar and better realisation for sugar produce
- However, this would require Government intervention and policy formations
- Also the sugar prices are something which are market driven, hence to control them would again be a difficult option

Alternatives available with sugar industry

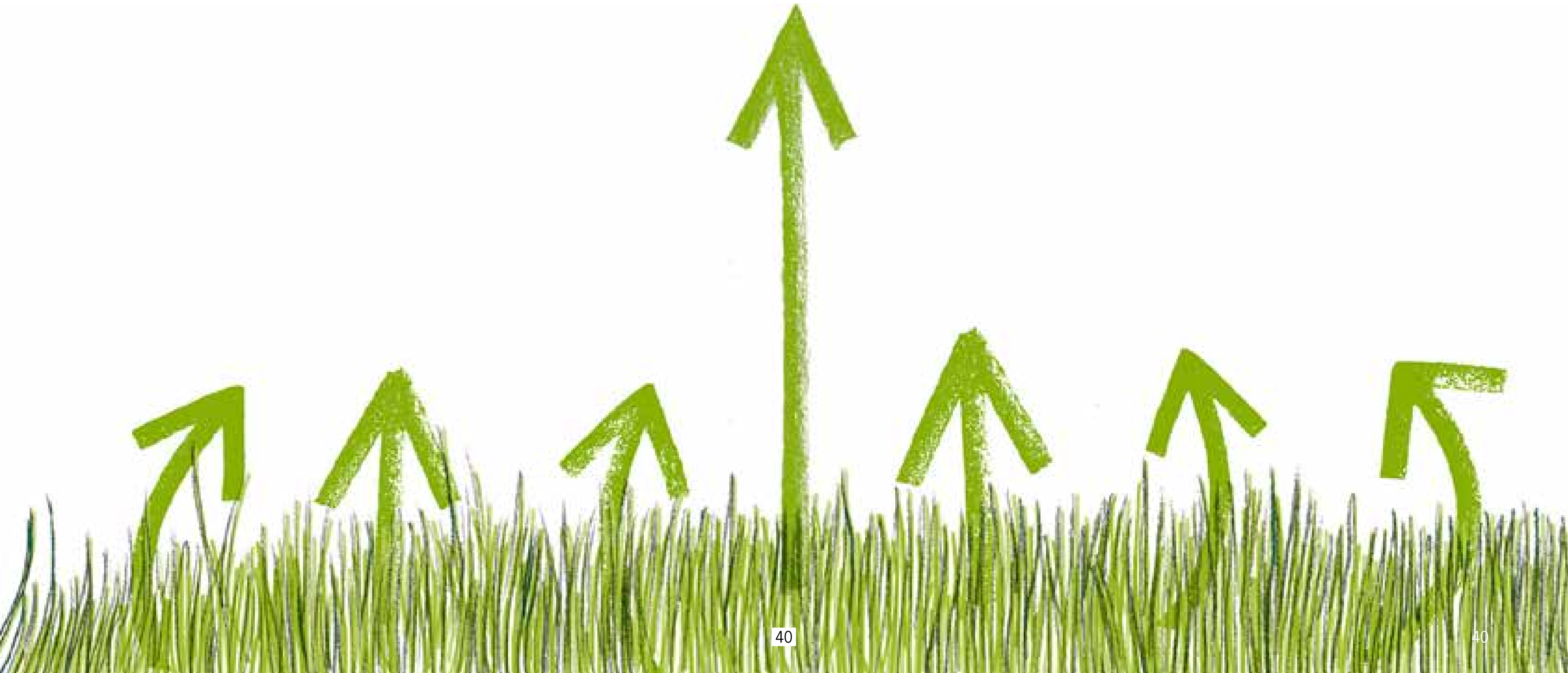
Corporate Debt Restructuring

- The alternative which best suits the current situation of the sugar industry is to go for a corporate debt restructuring
- It is a timely and transparent mechanism for restructuring of debts and also leads to benefit of all concerned.

Pool from Government

- The government may consider the option for creating a pool of funds, the beneficiary being the sugar industry
- It would be like a financial package which the Government may at its discretion create

Debt-restructuring – an analysis



40

Debt restructuring

Debt restructuring mechanisms

- **BIFR**
- **Stimulus from Government**
- **Corporate Debt restructuring**

Corporate Debt restructuring

- **CDR is done on a case to case basis**
- **Banks agree to provide additional exposure**

Other debt restructuring mechanisms – Routing through BIFR, however that does not seem to be a solution looking at the current situation of sugar industry as a whole.

Debt restructuring – A case study of textile industry

- The Indian textile industry is one of the leading industries in the world in the textile segment.
- It earns around 17% of the foreign exchange from exports of textiles and its related products and contributes around 14% to the total industrial production of the country
- It contributes around 4% to the GDP of the country.
- However, its faced severe slowdown during the period of 2010-12 which resulted in production cuts and shutdown of loss making units

What led to Debt Restructuring

- A shortfall of 10% in the availability of cotton in 2011 was projected by International Cotton Advisory Committee (ICAC), an association of countries trading in cotton. This triggered increase in global cotton prices between October 2010 and March 2011. As a result the prices also rose in the domestic market considerably - from INR 35,000 per candy (356kg) to INR 62,000 per candy. But cotton prices crashed in April 2011 to INR 32,000 per candy (within 3 months). The companies faced huge losses on account of reduction in prices of the stock which estimated to be around INR 6,000 crore. Similar trends in the man-made fibre segment led to a further loss of INR 500 crore for spinning mills.
- Following the crash in the global cotton prices, the domestic market could not be saved from the price crash which resulted in the loss of more than INR 90/ kg leading to a cumulative loss of about INR 4,500 crore for mills.
- The production was becoming unviable even for the bigger players like Oswal Group (example of Vardhaman Poly-Tex) where the cost of raw material as a percentage of sales increased from 69% in FY 2010-11 to 84% in first quarter of FY 2011-12.
- Unstable and fluctuating cotton prices, increase in power tariff and government decisions have led to the crisis in the textile industry. The global slowdown during that period also caused an impact on grim situation of textile industry.
- The Bank of Baroda Capital in its assessment highlighted that report highlights that the total outstanding debt of textile industry was to the tune of INR 1,55,809 crore and a total exposure of banks to the tune of INR 1.71,351 crore (fund based credit including TUFS extended industry was INR 155,809 crore with the addition of estimated non-fund credit of INR 15,542 crore).
- The capital-intensive textile industry incurred a combined loss of INR 11,000 crore in 2011-12, also due to frequent changes in government policies, including a ban on cotton and cotton yarn exports.

Restructuring package of textile industry

- Total exposure of banks to the textile industry = INR 1,71,351 crore
- Out of the total outstanding debt, the total loans that needs to be restructured is to the tune of INR 36,000 crore

The Textile Ministry asked Bank of Baroda Capital (BoB Capital) to study the sector and prepare a debt restructuring plan:

- The detailed study and the restructuring proposal by Bank of Baroda Capital Markets was forwarded to Reserve Bank of India for their consideration.
- It was decided that individual banks will provide a window for restructuring of loans for textiles industry **on a case by case basis. In this regards, on the advice of RBI, Ministry of Finance issued directions to banks to create a special window for textile industry debt - restructuring on a case to case basis.**
- Administrative Ministry will mobilise industry to formulate the case by case restructuring proposals

Restructuring plan proposed by consortium of Banks for textile industry: some examples

- Interest rates to be reviewed
- Ballooning of outstanding Corporate Loan, Term Loans and fresh WCTL installments to be repaid in 10 years.
- Creating of un-serviced Interest and future interest for one year into FITL
- Overdrawn portion in working capital limits as on cut-off date to be carved out into a new working Capital Term Loan

Corporate debt restructuring

What is CDR?

- Corporate Debt Restructuring ("CDR") mechanism is a voluntary non statutory mechanism under which financial institutions and banks come together to restructure the debt of companies facing financial difficulties due to internal or external factors, in order to provide timely support to such companies.
- A mechanism by way of which company endeavors to reorganise its outstanding obligations.
- Any change in the Terms and Conditions of the loan or credit, especially in respect of its servicing, is called restructuring of loan / debt. Corporate debt restructuring is a specialised institutional mechanism for restructuring large exposures involving more than one lender under consortium banking arrangements

Why CDR?

When a company faces severe financial crisis in terms of:

- Repaying it's debt obligation
- Inability in timely servicing of it's interest

Corporate Debt Restructuring Mechanism is an alternative

CDR perspective from stakeholders

CDR – Borrower's Point of View	CDR- Lender's perspective
• Enhance its quantum of debt with an expectation to increase its profitability & to pay off its original debt, however the company may not be able sustain such enhanced level of debt. • Cease the current operations of the company & undergo winding up, so this will ultimately lead to unnatural death of company. • To consider a structured plan to re –negotiate the terms of its current debt with existing lenders itself.	• The lenders are not interesting in liquidating the assets, however they would look forward to recovering the principle amount lent to companies/ corporates along with returns on that investment. • Also the liquidation proceedings are not widely used solutions as they yield low returns for creditors. • Therefore, CDR becomes an instrument for the lenders to support transformation of otherwise Non-Performing Assets (NPA's) into productive assets.

Corporate debt restructuring (contd.)

CDR solutions

The probable solutions that CDR offers for reorganisation of the outstanding obligations are as follows:

- Increasing the tenure of the loan
- Reducing the rate of interest
- Conversion of debt into equity
- Converting serviced portion of interest into term loan
- One time settlement

The above solutions can be used in the below listed ways:

- **Tem loans:** Rescheduling of Principle Repayment including Holiday / balloon repayment, Funding of Interest, Reduction of Interest Rate, Sanction of Demand loan.
- **Working Capital:** Converting into WCTL, Fresh sanction of WC, Funding of Interest, Reduction of Interest
- **Non-Fund:** Converting into WCTL, Commission funding, Extension of Facility
- **Others:** Sale of Assets, Sacrificing, One time settlement

Judging the viability and rehabilitation potential of a company for CDR

Parameters	Benchmark Level
Return on capital employed(ROCE)	Minimum ROCE of 5 year = 7.89%
Debt Service coverage ratio(DSCR)	Average DSCR of more than 1.25 and more than 1.0 in any year
Gap between the internal rate of return (IRR) and the cost of fund (COF)	At least 1%
Extent of Sacrifice	Varies from case to case
Break-Even point	Operating and cash break-even should be comparable with industry norms
Gross Profit margin (GPM)	Should be at par with industry
Loan life ratio (LLR)	1.4

Corporate debt restructuring structure in India

CDR CELL

- It is third tier of CDR mechanism
- This cell makes the initial scrutiny of the proposals & if restructuring gets approved this cell makes a detailed plan for restructuring in conjunction with the lenders

Empowered Group

- This group is comprised of the ED level representatives of leading banks along with ED level representatives of concerned lenders
- This group based upon preliminary report prepared by CDR cell decides whether they should take up the restructuring or not, if yes then they provide initial guidelines
- When final restructuring plan is prepared by CDR cell the same is again approved by EG

Standing Forum

- This is the top tier in CDR mechanism comprised of representatives of all the financial institutions & banks.
- This body lays down the policies & guidelines to be followed by the EG & CDR cell for debt restructuring

RBI guidelines on Corporate Debt Restructuring (CDR) mechanism

Background

- Restructuring in genuine cases is required for the timely revival of the corporates as well as for the safety of the money lent by the banks and FIs.
- Based on experience in other countries like the U.K., Thailand, Korea, etc. of putting in place institutional mechanism for restructuring of corporate debt a similar mechanism has to be established in India. A Corporate Debt Restructuring System was evolved, and detailed guidelines were issued vide circular DBOD No. BP.BC. 15/21.04.114/2000-01 dated August 23, 2001 for implementation by banks.
- One of the main features of the restructuring under CDR system is the provision of two categories of debt restructuring under the CDR system. Accounts classified as 'standard' and 'sub-standard' in the books of the creditors, will be restructured under the first category (Category 1) whereas accounts which are classified as 'doubtful' in the books of the creditors would be restructured under the second category (Category 2).

Main features of the CDR mechanism

- The objective of the Corporate Debt Restructuring (CDR) framework is to ensure timely and transparent mechanism for restructuring the corporate debts of viable entities facing problems, outside the purview of BIFR, DRT and other legal proceedings, for the benefit of all concerned. In particular, the framework will aim at preserving viable corporates that are affected by certain internal and external factors and minimise the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme.

- The CDR Empowered Group would be mandated to look into each case of debt restructuring, examine the viability and rehabilitation potential of the Company and approve the restructuring package within a specified time frame of 90 days, or at best within 180 days of reference to the Empowered Group. The CDR Empowered Group shall decide on the acceptable viability benchmark levels on the following illustrative parameters, which may be applied on a case-by-case basis, based on the merits of each case:
  - Return on Capital Employed (ROCE),
  - Debt Service Coverage Ratio (DSCR),
  - Gap between the Internal Rate of Return (IRR) and the Cost of Fund (CoF),
  - Extent of sacrifice.

- The decisions taken by CDR Empowered Group shall be final. If restructuring of debt is found to be viable, feasible and approved by the Empowered Group, the company would be put on the restructuring mode. If restructuring is not viable, the creditors would then be free to take necessary steps for immediate recovery of dues and / or liquidation or winding up of the company, collectively or individually.

- Accounts where recovery suits have been filed by the creditors against the company, may be eligible for consideration under the CDR system provided, the initiative to resolve the case under the CDR system is taken by at least 75% of the creditors (by value) and 60% of creditors (by number).

- If specifically recommended by the CDR Core Group, only large value BIFR cases may be eligible for restructuring under the CDR system.

RBI guidelines on Corporate Debt Restructuring (CDR) mechanism (contd.)

Reference to CDR system

Reference to Corporate Debt Restructuring System could be triggered by:

1. any or more of the creditor who have minimum 20% share in either working capital or term finance
2. by the concerned corporate, if supported by a bank or financial institution having stake as in (i) above.

Prudential and Accounting Issues

Accounts restructured under CDR system, including accounts classified as 'doubtful' under Category 2 CDR, would be eligible for regulatory concession in asset classification and provisioning on writing off/providing for economic sacrifice

- Restructuring under CDR mechanism is done for the first time
- The unit becomes viable in 7 years and the repayment period for the restructured debts does not exceed 10 years
- Promoters' sacrifice and additional funds brought by them should be a minimum of 15% of creditors' sacrifice
- Personal guarantee is offered by the promoter except when the unit is affected by external factors pertaining to the economy and industry

Asset classification status of restructured accounts

Only if satisfactory performance of the account is demonstrated during the specified period of one-year, the asset classification of sub-standard /doubtful status accounts will not deteriorate.

Creditors' Rights

All CDR approved packages must incorporate creditors' right to accelerate repayment and borrowers' right to pre-pay.

Legal basis

The Debtor-Creditor Agreement (DCA) and the Inter-Creditor Agreement (ICA) shall provide the legal basis to the CDR mechanism. Whereas, CDR is a non-statutory mechanism which is a voluntary system based on Debtor-Creditor Agreement (DCA) and Inter-Creditor Agreement (ICA).

In order to improve effectiveness of the CDR mechanism a clause may be incorporated in the loan agreements involving consortium/syndicate accounts. Whereby all creditors, including those which are not members of the CDR mechanism, agree to be bound by the terms of the restructuring package that may be approved under the CDR mechanism, whenever restructuring may become necessary.

Conversion option

The CDR Empowered Group, while deciding the restructuring package, should decide on the issue regarding convertibility (into equity) option as a part of restructuring exercise whereby the banks / financial institutions shall have the right to convert a portion of the restructured amount into equity.

Category 2 CDR System

Second category of CDR is introduced for cases where the accounts have been classified as 'doubtful' in the books of creditors, and if a minimum of 75% of creditors (by value) and 60% creditors (by number) satisfy themselves of the viability of the account and consent for such restructuring

The lenders who wish to exit would have the option to sell their existing share to either the existing lenders or fresh lenders, at an appropriate price, which would be decided mutually between the exiting lender and the taking over lender.

To bring more flexibility in the exit option, One Time Settlement can also be considered.

Stand-Still Clause

Under this clause, both the debtor and creditor(s) shall agree to a legally binding 'stand-still' for 90 days or 180 days by both sides whereby both the parties commit themselves not to take recourse to any other legal action during the 'stand-still' period, this would be necessary for enabling the CDR System to undertake the necessary debt restructuring exercise without any outside intervention, judicial or otherwise. The borrower will additionally undertake that during the stand-still period that he will not approach any other authority for any relief and the directors of the borrowing company will not resign from the Board of Directors during the stand-still period.

List of some of the Sugar companies that have already applied under CDR and BIFR

CDR

- Sakthi Sugars
- Mawana Sugars
- Rajshree Sugar and Chemicals
- Dhampur Sugars
- Oudh Sugar Mills

BIFR

- Vijayanagar Sugars
- K.M.Sugar Mills Ltd
- SBEC Sugar Ltd
- Venus Sugar Ltd.
- Kamlapur Sugars & Industries Ltd.
- Govind sugar Mills Ltd.
- Shakumbari Sugar and Allied Industries Ltd

Case Study: CDR for Oswal Group

The CDR Empowered Group (EG) decides on the acceptable viability benchmark levels on the following illustrative parameters, which are applied on a case-to-case basis, depending on the merits of each case: Debt Service Coverage Ratio, Break-even Point (Operating & Cash), Return on Capital Employed, Internal Rate of Return, Cost of Capital, Loan Life Ratio, Extent of Sacrifice.

Oswal Group is a biggest textile production organisation in India. Whereas, incorporated in 1980 Vardhaman Poly-Tex is one of the listed public limited company in this group.

Vardhaman Poly-Tex credit risk rating is Moderate based on ABS as of March 31st, 2011. The company has been given external "D" rank Rating by ICRA in May 2012 in Term Loans INR 112 crore, WCTL INR 98 crore, and FBWC limits INR 144 crore, NFB Limits INR 30 crore. All its loans are overdue and substandard, It has over dues in term Loan of INR 7.00 crore, over dues in WCTL of INR 1.71 crore, Working Capital over dues of INR 16.02 crore, its outstanding interest liability is INR 66.85 crore, Shortage of Drawing power is INR 64.75 crore and FCCB – Unsecured and Overdue is INR 43.24 crore.

Circumstances Leading to Reference to CDR for restructuring and progress:

- Cost of raw material consumed as a percentage of sales has increased from 69% in FY 2010-11 to 84% in first half of 2011-12.
- Company suffered a net loss of INR 61.96 crore for 1st 9 months of FY 2011-12 mainly due to high inventory costs' resulting from Cotton was procured at all-time high prices in the season between October-March 2010 11.
- Domestic and global cotton & yarn prices fell from record highs since March 2011 due to the Government policy on cotton.
- Government had put restrictions on cotton yarn exports towards the end of 2010, resulting in Indian players losing their market to other yarn producing nations across the globe during this period.

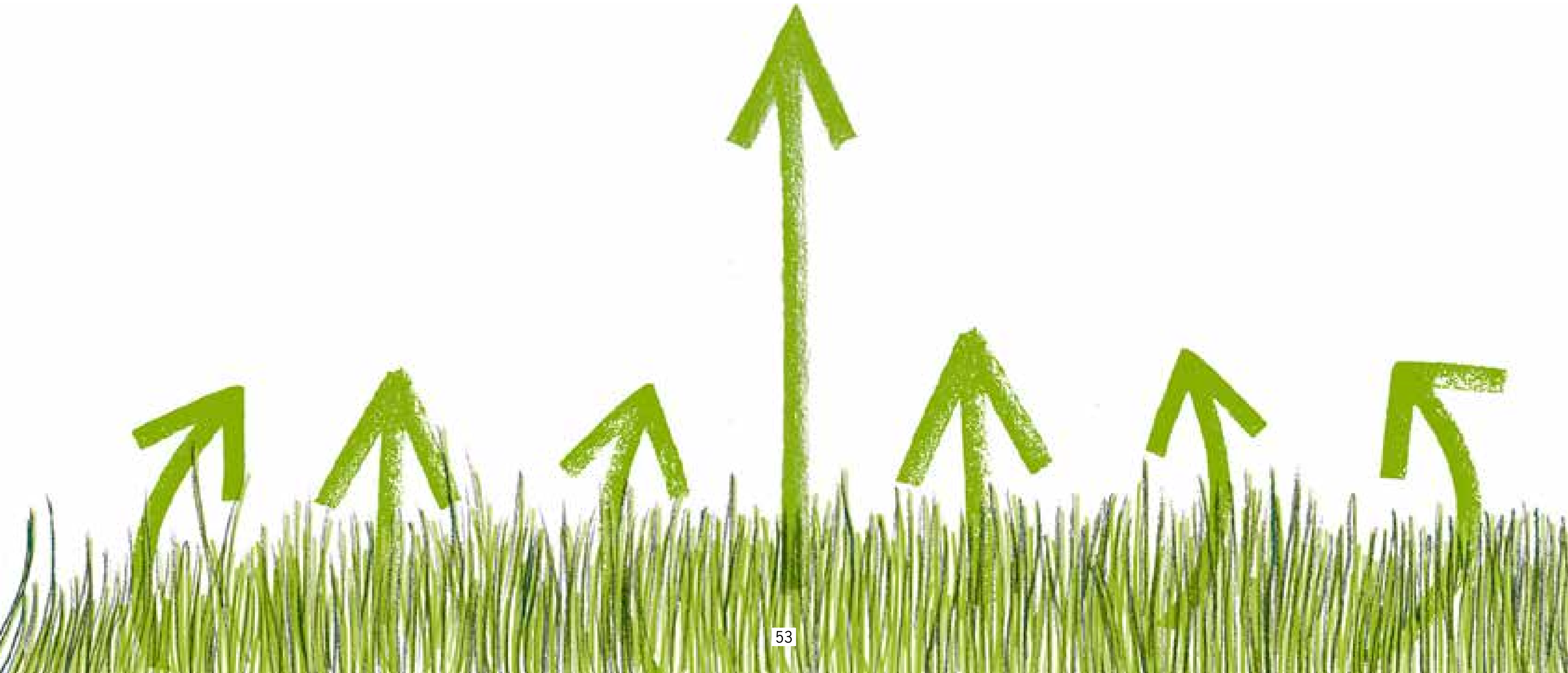
Particulars	2009-10 Audited	2010-11 Audited	2011-12 Audited	Projected for 2012
Long Term Loans	110.08	191.66	199.72	198.52
Net Working Capital	-121.14	42.11	-224.44	55.32
Profit/Loss before Depreciation Interest and Tax	37.62	111.08	-7.31	88.00
Less: Interest	40.01	47.92	67.72	51.64
Profit/Loss After Tax	-22.39	26.70	-81.41	2.53
Current Ratio	0.60	1.16	0.37	1.19
Debt Equity Ratio	1.29	1.62	2.18	1.30
PBDIT to Sales Percent	7.13%	15.51%	-0.01%	0.12%
Net Profit Before Tax to Net Sales Percent	-5.82%	5.01%	-0.14%	0.01%
Interest Coverage Ration(PBDIT/Interest	0.94	2.32	-0.11	1.70

Case Study: CDR for Oswal Group (contd.)

Solutions and Suggestions: The following Restructuring was proposed by the Consortium Bankers:

- Pricing: To review annually existing Working Capital for Domestic Base Rate + 4.5% p.a., Working Capital Terms loans Base Rate + 5.5% p.a. and Fresh: Base Rate + 6.25% p.a. Term Loans: TUFs Loan – Base Rate +4.25% p.a., Corporate Loan -12% p.a. Fixed Proposed: Base Rate + 0.5% (floating) with a minimum of 11.00% p.a..
- Ballooning of outstanding Corporate Loan, Term Loans and fresh WCTL instalments to be repaid in 10 years are as follows: 0.1% in 2011-12, 0.4% in 2012-13, 2.5% in 2013-14, 7% each in 2014-15 & 2015-16, 8% in 2016-17, 12% in 2017-18, 14% in 2018-19, 16% in 2019-20, 18% in 2020-21 and 15% in 2021-22.
- The Term Loan to be repaid in 9 years including moratorium of 6 Month from CD. Carving out the stock deficit in WCTL (Fresh). Reinstatement of need based WC limits of WC-FB: where existing are 144.00 crore, proposed total is 159.32 crore and WC-NFB: existing is 30.00 crore and proposed is 50.00 crore. Fresh Term Loan of INR 20.00 cores (Our share –Nil) for completing the expansion project of 40,800 spindlage at Nalagarh.
- Creating of un-serviced Interest and future interest for one year into FITL
- Their Axis Bank share in enhanced WC limits and proportionate allocation of land sale proceeds to WCTL (Old) of Axis Bank to be factored. Also, to permit to cede pari passu charge on Assets created out of their TL of INR 8.00 crore presently and permit modification in the TEV Study by their PAG HO: Amount of WCTL to be changed to INR 64.72 and allocation of WCTL among banks to be factored as per actual irregularity.
- Sale of Fixed Assets: The company has proposed the sale of approximately 26 acred of land, building, machinery and other assets at Villag Mundian Khurd, Chandigarh road, Dist. Ludhiana. As decided in the Joint Lenders Meeting, estimated sale proceeds of INR 70.73 crore is to be utilised towards reduction of outstanding WCTL portion of banks proportionately. (In TEV Study WCTL portion of Axis Bank has not been considered for reduction from the sale proceeds of the land in view of their stand in not participating in enhancement of WC limit and the resolution of the bankers during the Joint Lenders meeting on 16th August, 2012. However, it is proposed that Axis Bank to participate in the enhanced exposure and sharing of sale proceeds of land)
- Carving out WCTL: As per the TEV report, overdrawn portion in working capital limits as on cut-off date is to be carved out into a new working Capital Term Loan (WCTL-II)
- Fresh Funded Interest on Term Loans (FITL):The funding of interest on term loan, corporate loan, WCTL-I, Fresh WCTL and working capital has been considered for the period starting from 1st January 2012 and ending on 31st December 2012.
- Redemption of FCCB: The outstanding of the FCCBs is recognised at INR 55.36 crore at an exchange rate of INR 55/US Dollar for an outstanding amount of $10.07 Mn. The outstanding liability of FCCB is recognised for INR 43.24 crore as on 31st March, 2012 at an exchange rate of INR 50.87/US Dollar for an amount of $ 8.5 Millions.
- Waivers: Diluted margin is considered for the purpose of assessment of limit and calculation of DP: Domestic Stock of 20%, Export Stock of 10%, Domestic Debtors of 20%, and other current assets of 25%. DP against TUFS/DEPB and other Government Receivables and Reduction of Creditors only over & above the accepted level for DP calculation purpose
- Sacrifices: INR 51.77 crore Fair value of loan before restructuring is calculated at existing rate of interest and fair value of loan after restructuring is calculated at restructuring rate of interest. The difference of above is discounted at applicable rate of 17%.
- Fresh Term Loan and repayment schedule thereof: Fresh Term Loan of INR 20.00 crore to meet the cost over run at Nalagarh Project: The project is funded by Term Loan of INR 20.00 crore and Internal Accruals of INR 13.00 crore. The fresh Term Loan shall be from existing Term lenders of the Nalagarh project.

Way forward



Way forward

Actions to be taken by Banks and Government

- Ministry of Finance to be approached - For directing individual banks to determine the total exposure to the sugar industry
- An analysis by the banks to understand how much is additional risk (exposure) appetite
- Analyse as to whether the banks have reached the maximum limit of their exposure to sugar industry
- Determining Manageable Debt or Serviceable Exposure
- Once the above is done, proposal to be sent to RBI by the Banks/ Ministry of Finance basis which the banks will have to provide for a window for restructuring of loans for sugar industry on a case by case basis
- And/ or approve a package for the sugar industry

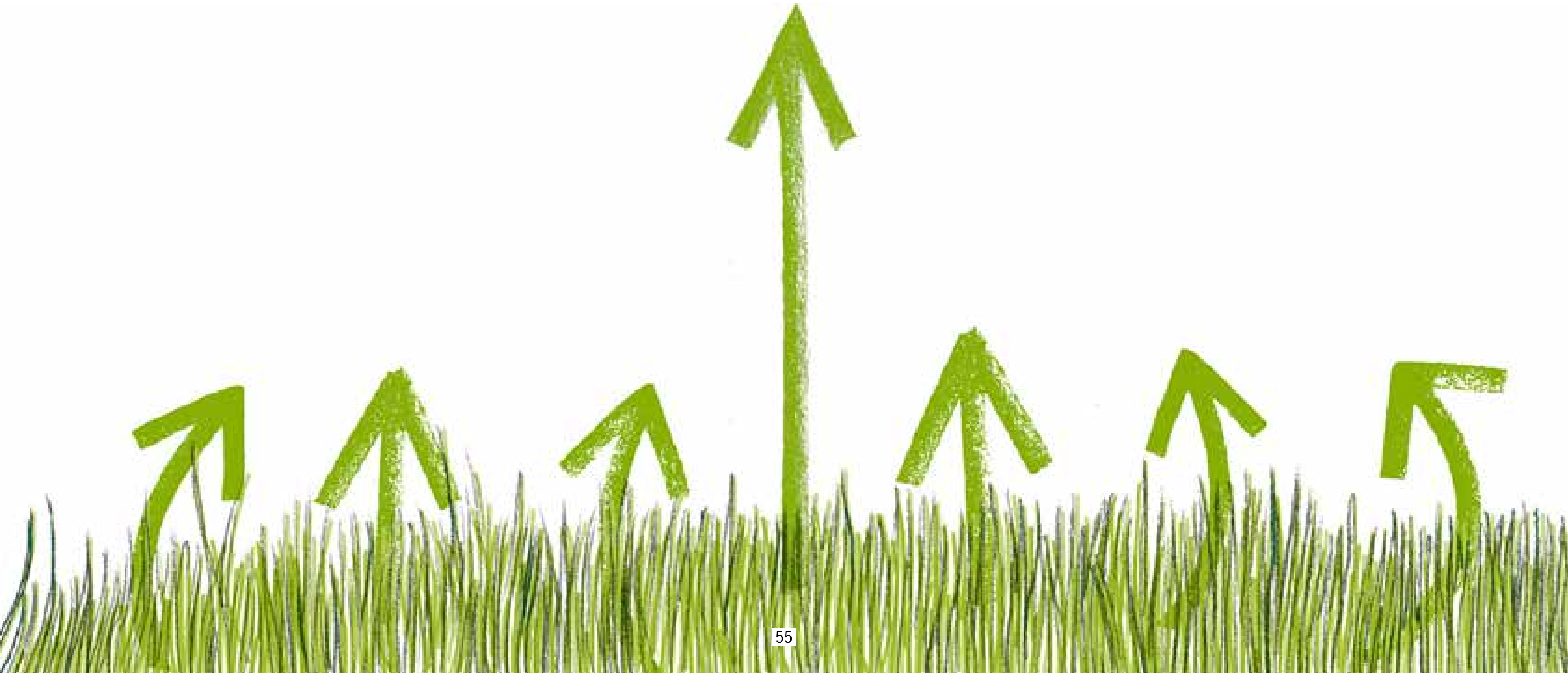
Actions to be taken by companies and co-operatives

- What is the serviceable portion of interest, considering the EBITDA and interest expense
- Is there any possibility of consolidation of capacities – Considering smaller units are becoming unviable
- What is the asset availability to be utilised for increasing the repayment capacities

Options available on case to case basis once CDR is approved for sugar industry

- Increase in repayment period - max up to 10 years (2-3 year moratorium)
- Funded interest - Converting un-serviced portion of interest to term loan (as per RBI guidelines for the same)
- Converting un-serviced interest to equity (up to 49% of equity by the Banks)
- Providing for working capital term loan

Annexures



Government regulations – roadblocks or support system for industry

Sugar industry plays a vital role in the rural economy and is second largest agro-based industry. However, in light of the analysis in the previous sections it is important to understand the critical situation of the industry. Due to being regulated on the sugarcane side, the industry is grappling with very limited scope to successfully function in the free market especially when the market rates are being determined by the market forces. The key aspects of the regulations are as below:

Regulation	Requirements	Impact
Prices of sugarcane	• The central government fixes a minimum price for sugarcane procurement from farmers - the fair and remunerative price (FRP). • In addition the states fix a State Advised Price (SAP) to strengthen the interest of farmers, though without any laid down criteria.	• SAP is substantially higher than FRP • The sugar prices generally do not increase as per the increase in the SAP • In case, the sugar prices decline, this adversely affects the returns for sugar mills
Regulations relating to by-products	• State government fixes quotas and restricts the movement of by-products of sugar such as molasses particularly interstate.	• These restrictions results in loss of revenue for the mills from by-products and reduces economic efficiency of the sector
Trade policy for sugar	• On account of domestic demand, supply and prices, government set control on both export and import of sugar	• India's sugar trade at the global level is small • It contributes around 17% of the total production of sugar at the global level however, in terms of exports India exports only around 4% of total trade
Minimum distance criteria	• As per the Sugarcane Control Order, the central government prescribed a minimum radial distance of 15 km between any two sugar mills ensuring minimum availability of cane for all mills.	• Restricts competition along with entry and investments by the entrepreneurs
Cane reservation area	• It is obligatory for every designated mill to purchase from cane farmers within the cane reservation area. • Cane farmers are also bound to sell to these designated mills • Revised/fixed every year	• Ensures minimum supply of sugarcane to the mills • Ensuring the mill owners procure at the set minimum price • Reduces the bargaining power of the farmers and well as mills • Farmers sell to the same mills despite of cane arrears • Mills struggle with supply and quality in case of shortfall within the cane reservation area • Unsure of area next year
Packaging of sugar	• The Jute Packaging Materials Act, 1987 (JPMA) mandates 20% sugar to be packed in jute bags only	• Increases the input cost for sugar mills and hampers the quality of sugar

Recommendations of Rangarajan Committee Report - Excerpts

Rangarajan Committee in 2012 recommended various measures to be taken to revive the sugar industry which are as listed below:

- **Removal of SAP and adoption of linkage formula –** The Rangarajan Committee has recommended for revising the existing arrangement of declaration of SAP(State Advised Price).It emphasised on paying farmers on the basis of uniform FRP (Fair and Remunerative Price) as first installment and revenue sharing formula to determine final cane prices. (Karnataka and Maharashtra have adopted this recommendation, while Tamil Nadu and Uttar Pradesh still continue to announce SAP over and above the FRP)
- **Doing away from Levy Sugar –** The Committee has also recommended for removing the mandatory surrender of 10% of its production to the Central Government at a price which is lower than the prevailing market price. States would now have to procure directly from the market.
- **Release of Non Levy Sugar –** The Committee also recommended for removing the restrictions imposed on regulation of Non levy Sugar. Currently the Central Government allows the release in the market on a periodic basis by giving orders on Quarterly basis.
- **Better Trade Policy –** Currently there are restrictions on the Trade of Sugar, which the Committee has recommended to forego and convert them into tariffs. Appropriate Tariff in the form of moderate duty on Imports and Exports to be applied not exceeding 5-10%. Tariffs to be changed basis world prices fluctuations.
- **Phase out Cane Reservation Area and Bonding –** It Emphasised on development of market –based long term contractual agreements, and phase out the practice of cane reservation area and bonding.
- **Review of Minimum Distance Criterion –**In order to increase competition and ensure a better price for farmers, the Committee recommended that distance norm of minimum radial distance of 15 km between ant two sugar mills to be reviewed.
- **Removal of Restriction on By- Products-** Currently some restrictions have been placed on sale of by -products such as molasses and bagasse. The Committee has recommended to let go these restrictions and accordingly determine the rates as per the market.
- **Other Issues –**The Jute Packaging Materials Act,1987 (JPMA) mandates that sugar be packed only in Jute bags. The Sugar Industry estimates that this leads to an increase in cost by about 40 paisa per kg of Sugar besides adversely impacting quality. The Committee recommended removing the sugar industry from the purview of the JPMA. (Government of India in its recent order dated 31st Jan 2014 has declared that only 20% of the production of sugar factory is mandatory to be packed in jute bags. Moreover sugar packets of less than 25Kg and More than 100kg also does not fall under the provisions of JPMA. Sugar meant for export is also not required to be packed in jute bags.)

Glossary

BoB	Bank of Baroda	**INR**	Indian Rupees
CAGR	Compound Annual Growth Rate	**ISMA**	Indian Sugar Mills Association
CDR	Corporate Debt Restructuring	**LLR**	Loan Life Ratio
COF	Cost of Fund	**NFCSF**	National Federation of Co-operatives Sugar Factories Ltd.
DCA	Debtor-Creditor Agreement	**PAT**	Profit after tax
DR	Debt Restructuring	**PBT**	Profit before tax
DSCR	Debt Service coverage ratio	**Qtl**	Quintal
EBITDA	Earning before interest tax depreciation and amortisation	**RBI**	Reserve Bank of India
EG	Empowered Group	**ROCE**	Return on Capital employed
FITL	Fresh Funded Interest on Term Loans	**Rs**	Rupees
FRP	Fair and Remunerative Price	**SAP**	State Advised Price
FY	Financial Year	**SMP**	Statutory Minimum Price
GDP	Gross Domestic Product	**SS**	Sugar Season
GPM	Gross Profit Margin	**TCD**	Tonnes Crushed per Day
IRR	Internal Rate of Return	**UP**	Uttar Pradesh
ha	Hectare	**WC**	Working Capital
ICA	Inter-Creditor Agreement	**WCTL**	Working Capital Term Loan
ICAC	International Cotton Advisory Committee		

Credits

ISMA team

Mr Abinash Verma

Ms Bharati Balaji

Mr Kasi Viswanathan

Mr M G Joshi

Grant Thornton team

Mr Mrityunjay Gautam

Mr Raghav Sarin

Mr Rahul Kapur

Mr Siddharth Mohindroo

Ms Swarnima Chouhan

Mr Vimarsh Bajpai

Contact us

To know more about Grant Thornton in India, please visit **www.grantthornton.in** or contact any of our offices as mentioned below:

NEW DELHI National Office Outer Circle L 41 Connaught Circus New Delhi 110001 T +91 11 4278 7070	**AHMEDABAD** BSQUARE Managed Offices 7th Floor, Shree Krishna Centre Nr. Mithakali Six Roads Navrangpura Ahmedabad 380009 T +91 76000 01620	**BENGALURU** "Wings", 1st Floor 16/1 Cambridge Road Ulsoor Bengaluru 560008 T +91 80 4243 0700	**CHANDIGARH** B-406A, 4th Floor L&T Elante Office Building Industrial Area Phase I Chandigarh 160002 T +91 172 4338 000	**CHENNAI** Arihant Nitco Park, 6th Floor No.90, Dr. Radhakrishnan Salai Mylapore Chennai 600004 T +91 44 4294 0000
GURGAON 21st Floor, DLF Square Jacaranda Marg DLF Phase II Gurgaon 122002 T +91 124 462 8000	**HYDERABAD** 7th Floor, Block III White House Kundan Bagh, Begumpet Hyderabad 500016 T +91 40 6630 8200	**KOCHI** 7th Floor, Modayil Centre point Warriam road junction M.G.Road Kochi 682016 T +91 484 406 4541	**KOLKATA** 10C Hungerford Street 5th Floor Kolkata 700017 T +91 33 4050 8000	**MUMBAI** 16th Floor, Tower II Indiabulls Finance Centre SB Marg, Elphinstone (W) Mumbai 400013 T +91 22 6626 2600
MUMBAI 9th Floor, Classic Pentagon Nr Bisleri factory, Western Express Highway Andheri (E) Mumbai 400099 T +91 22 6176 7800	**NOIDA** Plot No. 19A, 7th Floor Sector – 16A Noida 201301 T +91 120 7109 001	**PUNE** 401 Century Arcade Narangi Baug Road Off Boat Club Road Pune 411001 T +91 20 4105 7000		

For more information, please contact:

Rahul Kapur
rahul.kapur@in.gt.com
T +91 124 462 8029

Swarnima Chouhan
swarnima.chouhan@in.gt.com
T +91 124 462 8000, ext 381

For more information or for any queries, write to us at **contact@in.gt.com**

Follow us **@GrantThorntonIN**

Disclaimer:

The information contained in this document has been compiled or arrived at from sources like ISMA and others that are believed to be reliable, but no representation or warranty is made to its accuracy, completeness or correctness. The information contained in this document is published for the knowledge of the recipient but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. This document is not intended to be a substitute for professional, technical or legal advice or opinion and the contents in this document are subject to change without notice.

Whilst due care has been taken in the preparation of this document and information contained herein, neither Grant Thornton nor ISMA nor other legal entities in the group to which it belongs, accept any liability whatsoever, for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection herewith.

"Grant Thornton in India" means Grant Thornton India LLP, a member firm within Grant Thornton International Ltd, and those legal entities which are its related parties as defined by the Companies Act, 2013 read in conjunction with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

Grant Thornton India LLP (formerly Grant Thornton India) is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

Grant Thornton

An instinct for growth™