Dhampur Sugar Mills Limited

April 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]
Long term Bank Facilities – Term Loan	194.29 (reduced from 316.70)	**CARE A; Stable (Single A; Outlook: Stable)**
Long term Bank Facilities – Fund based	1100.00 (1100.00)	**CARE A; Stable (Single A; Outlook: Stable)**
Total	**1294.29 (Rs. One Thousand Two Hundred Ninety-Four Crore and Twenty-Nine Lakhs Only)**	
Medium-term Fixed Deposit	**30.00**	**CARE A (FD); Stable (Single A (Fixed Deposit); Outlook: Stable)**

Update on of Potential Restructuring in Dhampur Sugar Mills Limited (DSML)

On March 27, 2021, DSML made an announcement regarding potential restructuring proposed jointly by the promoters of the company involving the segregation of the management and ownership of different manufacturing facilities/units equally between the two promoter family groups. Board of the company has constituted a restructuring committee to evaluate the feasibility and suitability of the proposal. As per the management, the proposal currently is exploratory and no decision to undertake any restructuring of the company has been approved by the Board so far. Going forward, CARE will continue to monitor the developments in this regard and take appropriate rating action as & when required..

Rating sensitivities

Positive Factors- *Factors that could lead to positive rating action/upgrade:*

- Ability of the company to increase its scale of operations by more than 20% from its current levels on a sustained basis.
- Improvement in its PBILDT margins to 15% or more on sustained basis.
- Ability to improve the capital structure marked by overall gearing of less than 1x on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in profitability margins as marked by PBILDT margin below ~10% on a sustained basis.
- Adverse changes in government policies affecting the operations and cash flow of the entity
- Materializing of the potential restructuring of the company leading to significant impact on the financial and operational risk profile of the company.

The previous press release of DSML is available on the following link: Click here

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Dhampur Sugar Mills Ltd (DSML) continues to derive strength from its comfortable financial risk profile characterized by growth in its total operating income & improvement in its capital structure in FY20 (refers to period from April 01 to March 31) and adequate liquidity. The ratings also factors in the integrated business model of DSML with sugar, distillery and power divisions. Further, the rating also draws comfort from its experienced promoters and management team and long track record of operations and healthy cane crushing. However, these rating strengths are partially offset by the cyclical nature of the sugar industry, working capital intensive nature of operations and regulated nature of the business.

Analytical Approach: Standalone

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.*

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

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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.

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