# Dharani Sugars and Chemicals Limited

April 23, 2021

**Ratings**

| Facilities / Instruments | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 573.71 | CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 27.11 | CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Facilities | 600.82 (Rs. Six Hundred Crore and Eighty-Two Lakhs Only) | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated February 18, 2020 placed the rating(s) of Dharani Sugars and Chemicals Limited (DSCL) under the 'issuer non-cooperating' category as DSCL had failed to provide information for monitoring of the rating. DSCL continues to be non-cooperative despite repeated requests for submission of information through e-mail dated February 18, 2021; March 04, 2021 and April 12, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The rating takes into account the instances of delays in servicing the debt obligations of the company. During FY20, DSCL has reported net loss of Rs.30 crore on the total operating income of Rs. 110 crore.

**Detailed description of the key rating drivers**

***At the time of last rating on February 18, 2020 the following were the rating strengths and weaknesses:***

**Key Rating Weaknesses**

**Continuation of losses in FY18 and 9MFY19 with strained liquidity position resulting in delays in debt servicing**

During FY18, DSCL reported net loss of Rs.85 crore on TOI of Rs. 502 cr as against a loss of Rs. 17 crore on TOI of Rs. 536 cr in FY17. During 9MFY19, DSCL registered net loss of Rs. 113 cr on TOI of Rs. 211 cr as against net loss of Rs. 40 cr on TOI of Rs.421 cr during 9MFY18. The loss is mainly on account of unfavourable sugar industry scenario and high interest expense due to leveraged capital structure this has led to strained liquidity position resulting in delays in servicing of debt obligations.

**Cyclicality of Sugar Business**

Cyclical nature of sugar industry results in significant impact on operating performance of sugar companies, thereby affecting their debt servicing ability. Only companies which have adequate diversification are insulated from downtrends of the industry.

**Key Rating Strengths**

**Experience of Promoters**

Promoters have more than two decades of experience in the industry. DSCL was promoted by Mr. Palani G Periyasamy. He has obtained his masters in Economics from University of Madras in 1962, Masters in Economics from University of Pittsburgh, USA in 1969 and Doctorate in Advanced Micro/Macro Economics from the University of Pittsburgh, USA in 1972. He has also experience in hotel industry and in the field of education.

**Analytical approach:**

Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer]

[Criteria on assigning Outlook and Creditwatch to Credit Ratings]

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

**Issuer did not cooperate; Based on best available information*

CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology-Sugar Sector

**About the Company**
Dharani Sugars and Chemicals Limited (DSCL), part of the PGP group of companies based in Tamil Nadu was established in the year 1987 by Dr Palani G Periyasamy and his NRI Associates. The company is engaged in the manufacture of sugar, industrial alcohol and co-generation of power. DSCL has three sugar mills located across Tamil Nadu. These units are located in Dharani Nagar (Tirunelveli Dist.), Sankarapuram (Villupuram Dist.) and Polur (Thiruvannamalai Dist.). Aggregate capacity of the company as on March 31, 2018, was 10,000 tonnes of cane crushed per day (TCD), 160 Kilo Liter per day (KLPD) Distillery and 37 MW co-generation plant.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) |
|---|---|---|
| Total operating income | 316 | 110 |
| PBILDT | (25) | (42) |
| PAT | (149) | (30) |
| Overall gearing (times) | NM | NM |
| Interest coverage (times) | NM | NM |

**Status of non-cooperation with previous CRA:**
Not Applicable

**Any other information:**
Not Applicable

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

**Covenants of rated instrument / facility:** *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

**Complexity level of various instruments rated for this company**: Annexure 4

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 244.25 | CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 7.11 | CARE D; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | - | - | June 2024 | 316.53 | CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - LT-Bank Guarantees | - | - | - | 12.93 | CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Letter of credit | - | - | - | 20.00 | CARE D; ISSUER NOT COOPERATING* |

**Issuer did not cooperate; Based on best available information*

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1. | Fund-based - LT-Cash Credit | LT | 244.25 | CARE D; ISSUER NOT COOPERATING* | - | - | 1)CARE D; ISSUER NOT COOPERATING* (18-Feb-20)<br>2)CARE D (04-Apr-19) | 1)CARE D (30-Aug-18) |
| 2. | Non-fund-based - ST-Bank Guarantees | ST | 7.11 | CARE D; ISSUER NOT COOPERATING* | - | - | 1)CARE D; ISSUER NOT COOPERATING* (18-Feb-20)<br>2)CARE D (04-Apr-19) | 1)CARE D (30-Aug-18) |
| 3. | Fund-based - LT-Term Loan | LT | 316.53 | CARE D; ISSUER NOT COOPERATING* | - | - | 1)CARE D; ISSUER NOT COOPERATING* (18-Feb-20)<br>2)CARE D (04-Apr-19) | 1)CARE D (30-Aug-18) |
| 4. | Non-fund-based - LT-Bank Guarantees | LT | 12.93 | CARE D; ISSUER NOT COOPERATING* | - | - | 1)CARE D; ISSUER NOT COOPERATING* (18-Feb-20)<br>2)CARE D (04-Apr-19) | 1)CARE D (30-Aug-18) |
| 5. | Non-fund-based - ST-Letter of credit | ST | 20.00 | CARE D; ISSUER NOT COOPERATING* | - | - | 1)CARE D; ISSUER NOT COOPERATING* (18-Feb-20)<br>2)CARE D (04-Apr-19) | 1)CARE D (30-Aug-18) |

***Issuer did not cooperate; Based on best available information***

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**

**Annexure 4: Complexity level of various instruments rated for this company**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Term Loan | Simple |
| 3. | Non-fund-based - LT-Bank Guarantees | Simple |
| 4. | Non-fund-based - ST-Bank Guarantees | Simple |
| 5. | Non-fund-based - ST-Letter of credit | Simple |

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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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