

APRIL 22, 2015

CARE REAFFIRMS / ASSIGNS RATING TO THE BANK FACILITIES OF DAVANGERE SUGAR COMPANY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Term Loan)	62.56	CARE BBB- (Triple B Minus)	Assigned
Long-term Bank Facilities (Fund-based)	99.00 (Enhanced from 68.26)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities (Non-fund-based)	87.72 (enhanced from 25.0)	CARE A3 (A Three)	Reaffirmed
Total Facilities	249.28		

Rating Rationale

The ratings continue to draw strength from the company's long track record and promoters' experience in the sugar industry, partially integrated operations with profitable co gen unit, and stable operational performance. However, the ratings are constrained by continuous losses from the sugar division, working capital intensive nature of operation, cyclicity, agro-climatic risks and highly regulated nature of the industry. The rating takes note of losses in 9MFY15.

Going forward, the ability of DSCL to maintain stable earnings and achieve profitable operation of the sugar division would be the key rating sensitivities.

Background

Davangere Sugar Company Limited (DSCL) was incorporated in 1970 as a joint sector undertaking between Karnataka Agro Industries Corporation (KIAC), Karnataka State Industrial Investment and Development Corporation (KSIIDC) and Farmers. The present promoters [Mr S Shivashankarappa and his family members] acquired the shares owned by KIAC and KSIIDC and took over the management of DSCL in 1995. DSCL is engaged in the manufacturing of sugar and its by-products with an installed capacity of 4,750 Tonnes Crushed per Day (TCD) and operates a multi-fuel co-generation unit with an installed capacity of 24.45MW as on December 31, 2014.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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