

Dharani Sugars and Chemicals Limited

February 18, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	573.71	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Short Term Bank Facilities	27.11	CARE D; ISSUER NOT COOPERATING* (SINGLE D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total Facilities	600.82 (Rupees Six hundred crore and eighty two lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Dharani Sugars and Chemicals Limited (DSCL) to monitor the rating(s) vide e-mail communications dated January 17, 2020, January 31, 2020 and February 04, 2020 and letter dated February 07, 2020. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Dharani Sugars and Chemicals Limited's bank facilities will now be denoted as **CARE D/CARE D; ISSUER NOT COOPERATING***.

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 FY19, DSCL has reported net loss of Rs. 149.3 crore on the Total operating income of Rs. 316 crore.

Detailed description of the key rating drivers

At the time of last rating on April 04, 2019 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.

Cyclical nature 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.

¹Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.

*Issuer did not cooperate; Based on best available information

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[CARE's Criteria on rating outlook and credit watch](#)

[Rating Methodology-Sugar Sector](#)

[Financial ratios – Non-Financial 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)	FY18(A)	FY19 (A)
Total operating income	485.3	316.0
PBILDT	3.6	(24.8)
PAT	(85.4)	(149.3)
Overall gearing (times)	6.23	NM
Interest coverage (times)	0.19	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Annexure-1: Details of 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* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	7.11	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	June 2024	316.53	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	12.93	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	244.25	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	1)CARE D (30-Aug-18)	1)CARE C; Stable (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	7.11	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	1)CARE D (30-Aug-18)	1)CARE A4 (14-Jul-17) 2)CARE A4 (24-Apr-17)	1)CARE A4 (19-Apr-16)
3.	Fund-based - LT-Term Loan	LT	316.53	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	1)CARE D (30-Aug-18)	1)CARE D (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)
4.	Non-fund-based - LT-Bank Guarantees	LT	12.93	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	1)CARE D (30-Aug-18)	1)CARE C; Stable (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)
5.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	1)CARE D (30-Aug-18)	1)CARE A4 (14-Jul-17) 2)CARE A4 (24-Apr-17)	1)CARE A4 (19-Apr-16)

*Issuer did not cooperate; based on best available information

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.

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