

Dharani Sugars and Chemicals Limited

August 30, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (Term Debt)	316.53	CARE D (Single D)	Reaffirmed
Long-term Bank Facilities (Fund based and Non Fund based)	257.18	CARE D (Single D)	Revised from CARE C; Stable (Single C; Outlook: Stable)
Short-term Bank Facilities	27.11	CARE D (Single D)	Revised from CARE A4; (A Four)
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

The revision in the ratings assigned to the bank facilities of Dharani Sugars and Chemicals Limited (DSCL) takes into account delays in servicing of debt obligations due to tight liquidity position on account of continuation of losses incurred in FY18 (refers to the period April 1 to March 31).

Detailed description of the key rating drivers

Key Rating Weaknesses

Continuation of losses incurred in FY18 resulting in delays in debt servicing

During FY18, total operating income registered by the company was Rs.502 crore as against Rs.536 crore in FY17. The company reported net loss of Rs.85 crore in FY18 as against net loss of Rs.17 crore in FY17. 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 term debt repayment and overdrawals in working capital limits.

Cyclicality of Sugar Business

Cyclical nature of the sugar industry results in significant impact on the 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

The 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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[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.). The aggregate capacity of the company as on March 31, 2018, was 10,000 tons of cane crushed per day (TCD), 160 Kilo Liter per day (KLPD) distillery and 37 MW co-generation plant.

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	536	502
PBILDT	80	14
PAT	-17	-85
Overall gearing (times)	3.56	6.23
Interest coverage (times)	1.10	0.19

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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
Non-fund-based - ST-Bank Guarantees	-	-	-	7.11	CARE D
Fund-based - LT-Term Loan	-	-	June 2024	316.53	CARE D
Non-fund-based - LT-Bank Guarantees	-	-	-	12.93	CARE D
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE D

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	244.25	CARE D	-	1)CARE C; Stable (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)	1)CARE D (27-Apr-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	7.11	CARE D	-	1)CARE A4 (14-Jul-17) 2)CARE A4 (24-Apr-17)	1)CARE A4 (19-Apr-16)	1)CARE D (27-Apr-15)
3.	Fund-based - LT-Term Loan	LT	316.53	CARE D	-	1)CARE D (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)	1)CARE D (27-Apr-15)
4.	Non-fund-based - LT-Bank Guarantees	LT	12.93	CARE D	-	1)CARE C; Stable (14-Jul-17) 2)CARE B-; Stable (24-Apr-17)	1)CARE B- (19-Apr-16)	1)CARE D (27-Apr-15)
5.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE D	-	1)CARE A4 (14-Jul-17) 2)CARE A4 (24-Apr-17)	1)CARE A4 (19-Apr-16)	1)CARE D (27-Apr-15)

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