

August 16, 2010

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF DHAMPUR SUGAR MILLS LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	973.41	'CARE BBB-' (Triple B Minus)	Assigned
Total Facilities	973.41		

Rating Rationale

The rating takes into account DSML's long track record of operations, experienced promoters and management team, its integrated model with sugar, distillery and power businesses, the use of multi-fuel boilers in the power division leading to the optimization of fuel costs, healthy profitability during FY09 and H1FY10 and the presence of its own brand of value-added refined sugar. However, the ratings are constrained by the highly regulated industry scenario and cyclical nature of industry, current weak outlook for sugar industry, instances of debt restructuring, working capital intensive nature of operations leading to high working capital utilisation and moderate to high overall gearing.

Going forward DSML's ability to sustain profitability amidst volatility in sugar prices and changes in government policies relating to the sugar industry would be the key rating sensitivities.

Company Profile

The Dhampur Sugar Mills Ltd. was promoted by the Goel family of Bareilly, Uttar Pradesh in May, 1933. DSML is presently an integrated sugar company with a sugarcane crushing capacity of 39,500 TCD as on September 30, 2009, making it one of the largest players in the Indian sugar industry. It also has a significant presence in the allied businesses of alcohol, rectified spirit(170 KLPD) and the co-generation of power with installed capacity of 145 MW (with export of 85 MW). DSML has four manufacturing facilities located at Dhampur, Asmoli, Mansurpur and Rajpura in Uttar Pradesh.

On a total operating income of Rs.936 crore during the year ended September 30, 2009, DSML earned a PAT of Rs.56 crore. During H1FY10, the company earned a PAT of Rs.70 crore on a total operating income of Rs.622 crore.

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

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