

May 7, 2010

CARE ASSIGNS 'BBB' AND 'PR 3' RATINGS TO THE BANK FACILITIES OF DHARANI SUGARS AND CHEMICALS LTD**Ratings**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	429.93	'CARE BBB'	Assigned
Long/Short-term Bank Facilities	8.00	'CARE BBB'/'PR 3'	Assigned
Total Facilities	437.93		

Rating Rationale

The ratings factor in promoters' experience of more than two decades in sugar industry, diversified revenue stream on account of integrated nature of operations, longer crushing period, flexibility to process raw sugar and significant improvement in financial performance during 9mFY10 supported by favourable industry scenario. The ratings also reflect the successful commissioning of its third sugar mill and power plant and low implementation risk associated with its ongoing distillery project. However, above ratings are constrained by high gearing ratio, concentration risk arising on account of location of all its plants in the state of Tamil Nadu and cyclical & highly regulated nature of sugar industry.

Ability of the company to manage price risk arising on account of imported raw sugar and achieve a relatively stable revenue stream would remain key rating sensitivities.

Company Profile

DSCL, part of the PGP group of companies 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. The day-to-day operations of the company are managed by Mr.M.Ramalingam, Managing Director of DSCL. DSCL owns and operates three sugar mills, one each at Tirunelveli (Dharani Nagar), Tiruvannamalai (Polur) and Vilupuram (Sanakrapuram) districts of Tamil Nadu with an aggregate sugarcane crushing capacity of 10,000 TCD (Tonnes Cane per Day).

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

During FY09, DSCL generated total income of Rs.223 crore and earned PAT of Rs.10 crore. During 9mFY10, DSCL generated total income of Rs.472 crore and earned PAT of Rs.61 crore.

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CARE 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.

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 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.

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