

**FOR IMMEDIATE RELEASE**

October 5, 2010

ICRA revises the ratings for bank facilities of Sir Shadi Lal Enterprises Limited

ICRA has downgraded the long-term rating outstanding on the Rs. 34.09 crores¹ term loans and the Rs. 133 crores fund based limits of Sir Shadi Lal Enterprises Limited (SSLEL) from LBBB- (pronounced as L triple B minus) to LBB+ (pronounced as L double B plus)[†]. The outlook on the rating is stable. ICRA has also downgraded the short-term rating outstanding on the Rs. 6.6 crores non-fund based limits from A3 (pronounced as A three) to A4+ (pronounced as A four plus).

The revision of ratings takes into account the deterioration in outlook on the sugar sector following a steep correction in the domestic sugar prices since the month of March 2010, which is also reflected in a sharp decline in the company's profitability in Q1 FY 2011- the company reported a large loss mainly due to inventory write-offs. Further, ICRA expects the sugar production for SY 2010-11 to outstrip domestic consumption which is likely to result in the sugar prices remaining under pressure in the near term. This coupled with high cane costs paid in SY10 relative to sugar prices will put pressure on the margins of the company in the current financial year. The rating is also constrained by inefficient operations of the company's distillery unit and its non integration into co-generation, risks arising out of the inherent cyclicity in the sugar business, agro-climactic factors and government policies governing cane pricing, sugar release mechanism and pricing of by-products. Nevertheless, the ratings continue to derive comfort from the company's long track record in the sugar business and increased scale of companies operations following acquisition of the Unn sugar mill in Uttar Pradesh (UP). The ratings also favorably factor in SSLEL's adequate working capital limits and the availability of interest-free excise duty loan, which are likely to support company's liquidity position. Moreover the planned sale of Pilkhani unit will provide the expected cash flows for modernization and planned expansion.

Company Profile

SSLEL, a company promoted by Sir Shadi Lal in the year 1933 is a partially integrated sugar manufacturer and is engaged in the production of sugar and alcohol. It currently operates two units, one located at Shamli Distt. Muzaffarnagar, UP (6250 TCD) and second unit located at Unn, Distt. Muzaffarnagar (4,000 TCD- Licensed). The Unn Unit was acquired by the company in September 2007.

The company also has two distilleries (one at Shamli and another at Pilkhani, District Saharanpur) with combined capacities of 40 lakh gallons per annum. SSLEL has also installed Extra Neutral Alcohol (ENA) plants and 1 MW bio-gas based power plants at both the distilleries in H1 FY08.

For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel No. +91-124-4545304)
sabyasachi@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur, (Tel. No. +91-124-4545310)
vivek@icraindia.com

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.