Bajaj Hindusthan Sugar Limited

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term - Optionally convertible debentures	3,483.25	CARE B+; Negative	Downgraded from CARE BB-; Stable
Long-term bank facilities	-	-	Withdrawn
Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has withdrawn ratings of bank facilities of Bajaj Hindusthan Sugar Limited (BHSL) considering full repayment of these to lenders and receipt of no due certificates.

CARE Ratings has downgraded the long-term rating for the long-term instruments of BHSL to 'CARE B+' and revised the outlook to 'Negative' due to stretched liquidity and the company's failure to secure the conversion of the upcoming instalment of optionally convertible debentures (OCDs). The first instalment of ₹268 crore is due in March 2025, apart from that the yield to maturity (YTM) premium payment is also due in March 2025. BHSL faces a significant upcoming repayment obligation for the OCDs but has been unable to arrange for the conversion so far. CARE Ratings forecasts that the company does not have sufficient funds to meet these repayments. According to the company's management, BHSL is in discussions with its consortium of lenders regarding the conversion of the OCDs into equity, but this conversion has not yet been approved by the lenders so far, creating uncertainty about the company's ability to meet its significant repayment obligations. The company is maintaining communication with the lenders and will provide updates as more clarity emerges. CARE Ratings will continue to closely monitor the situation, especially given the company's strained liquidity as on December 31, 2024. The outcome of the upcoming debt repayments or the conversion of OCDs into equity will remain a key factor for monitoring.

The rating further considers weak business profile with negative profit after taxation (PAT) level of ₹91.53 crore (PY: ₹147.74 crore). In 9MFY25, PAT level was negative at ₹217.09 crore. Total income has also dipped in FY24 to ₹6,076.56 crore compared to ₹6,302.32 crore in FY23. The rating is constrained by BHSL's weak financial profile characterised by its leveraged capital structure, contingent liabilities due to the YTM payable upon the redemption of the OCDs, substantial investments in group companies, and the cyclical and regulated nature of the sugar business.

The ratings takes note of the promoter's long track record of operations in the sugar industry and BHSL's diversified revenue profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful approval by the consortium lenders regarding the conversion of the OCDs into equity, which would help alleviate liquidity pressure and improve the company's capital structure.
- Improving overall operational performance of the company leading to substantially improving financial risk profile and effective management of its working capital and improvement in its liquidity position.
- Company recouping its advances and investments from the group companies in a timely manner and reducing its overall debt exposure from funds so received.

Negative factors

- Inability of the company to receive approval from lenders for the conversion of the OCDs or to service its debt obligations in a timely manner.
- Further stretching of the company's working capital requirements or continued deterioration in its liquidity position, potentially leading to difficulties in meeting operational and financial commitments.

Analytical approach: Standalone

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Negative

The negative outlook reflects CARE Ratings' expectation of a potential negative rating action due to a significant upcoming repayment for OCDs, with the first repayment due in March 2025, and BHSL's stretched liquidity position. CARE Ratings will closely monitor the situation, especially considering the company's strained liquidity as on December 31, 2024. The outcome of the upcoming debt repayments or the conversion of OCDs into equity will be critical factors to watch.

Detailed description of key rating drivers:

Key weaknesses

High repayments considering OCDs and also considering YTM payable at the time of redemption
The total unprovided YTM liability from the date of allotment of OCDs as on March 31, 2024 was ₹2,885.41 crore (PY: ₹2,262.73 crore) and till December 31, 2024, it is ₹3,412.51 crore.
YTM premium is payable at the time of redemption of OCDs pursuant to the Scheme for Sustainable Structuring of Stressed Assets (S4A Scheme), which stipulates that the YTM, being the difference between the weighted average interest and coupon rate, is payable as a redemption premium at the time of redemption of OCDs, redeemable in 13 equal instalments commencing from March 31, 2025. The company considers such YTM/redemption premium as a contingent liability and has not provided for the same in the books of account.
The first instalment of ₹268 crore is due in March 2025, and the YTM premium payment. According to the company's management, BHSL is in discussions with its consortium of lenders regarding the conversion of the OCDs into equity, but this conversion has not yet been approved by the lenders so far, creating uncertainty about the company's ability to meet its significant repayment obligations. CARE Ratings will continue to closely monitor the situation, especially given the company's strained liquidity as on December 31, 2024. The outcome of the upcoming debt repayments or the conversion of the OCDs into equity will remain a key factor for monitoring.

Weak financial profile but some improvement registered in FY24 and 9MFY25
The company's total operating income (TOI) declined by ~3.58% from ₹6,302 crore in FY23 to ₹6,076 crore in FY24, while net loss reduced from ₹147.74 crore in FY23 to ₹91.53 crore in FY24. As a result, the company reported positive gross cash accruals (GCA) for FY24. The profit before interest, lease rentals, depreciation and tax (PBILDT) improved by ~5% to ₹261 crore in FY24. Owing to improvement in PBILDT and reduction in interest cost, interest coverage of the company (PBILDT/Interest) improved from 1.21x in FY23 to 1.68x in FY24. Total debt decreased from ₹4,245 crore as on March 31, 2023 to ₹3,769 crore as on March 31, 2024. The same comprised long-term loans of ₹275 crore, OCDs of ₹3,483.25 crore, loan from related parties of ₹10 crore and financial lease liability of ₹0.03 crore. In 6MFY25, the company repaid its entire term loans to the tune of ₹275 crore from the operating cashflows. Overall gearing has improved from 0.94x as on March 31, 2023 to 0.87x as on March 31, 2024, which was mainly due to mark up of prior investments made by the company leading to increase in net worth and also partially due to decrease in total debt.

Substantial investment in group companies
The group has implemented a power project under Bajaj Energy Ltd (BEL) and commissioned a 1,980-MW project under Lalitpur Power Generation Company Limited (LPGCL). BHSL had invested a substantial amount in its group companies by way of investments and loans & advances. As on March 31, 2024, on standalone basis, the company has exposure aggregating to ₹5,383 crore, by way of investments, loans, accumulated interest on these loans (FY23: ₹5,256 crore). The above increase is entirely due to improving fair value of the investments and BHSL has not made further investment in the year. Inability of BHSL to recover these advances in a timely manner in the past has led to its poor liquidity position. Recoverability of these advances shall be crucial to improve BHSL's liquidity position.

Cyclical and regulated nature of sugar business
The industry is cyclical by nature and is vulnerable to the government policies for reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

Key strengths

Long track record of operations and experienced promoters
The company was incorporated in 1931 under the name - The Hindusthan Sugar Mills Limited (HSML) by Jamnalal Bajaj. Subsequently, HSML was renamed as Bajaj Hindusthan Limited in 1988 and changed to the present one in January 2015. The company gradually increased its capacity over s to become one of the largest sugar producers in the country with aggregate capacity of 1.36 lakh tonne of sugarcane crushed per day (TCD). Kushagra Nayan Bajaj has considerable experience in the sugar industry and is assisted by a team of professionals having significant experience in the industry.

Diverse revenue stream
BHSL is majorly into sugar production. However, it has diversified operations with other business such as manufacturing alcohol and power, which de-risk the core sugar business of the company to some extent. BHSL has 14 sugar factories with an aggregate capacity of 1.36 lakh tonne of sugarcane crushed per day (TCD). It has six distilleries with capacity to produce 800 kilo litre per day (KLPD) of industrial alcohol and owns co-generation plants having power generating capacity of 449 MW.
In FY24, the segment-wise gross contribution to operating income stood at sugar – 77% (PY: 76%), distillery – 10% (PY: 12%) and power segment – 11% (PY:11%). In FY24, the company crushed 12.81 million metric tons (MMT) of sugarcane against 13.84 MMT in the previous year. The sugar recovery was 10.89% against 9.74% in the previous year.

Liquidity: Stretched

The liquidity position of the company remains stretched with free cash and bank balance to the tune of ₹56.28 crore as on September 30, 2024. For H1FY25, the company has repaid entire term debt obligation of ₹ 275 crore. However, OCDs' redemption and YTM payable will begin from FY25 onwards with the first instalment due in March 2025 and are repayable in 13 equal annual instalments. Currently, the GCA of BHSL are inadequate to meet the OCD annual instalment and YTM payable. Accordingly, the company may have to rely on stretching the cane dues to meet the repayments of these OCDs. However, per debenture trustee deed for OCDs, there is a provision of conversion of these OCDs into equity shares of BHSL. CARE Ratings will closely monitor the developments regarding the same.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Sugar
Financial Ratios – Non financial Sector
Withdrawal Policy

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Agricultural food & other products	Sugar

BHSL, a part of the 'Shishir Bajaj Group', is Asia's No.1 and World's No.4 Integrated Sugar Company. With an extensive network of 14 mills dotted across Uttar Pradesh in North India, the company has an aggregate sugarcane crushing capacity of 136,000 tonnes crushed per day (TCD). Besides Sugar, BHSL is also a leading manufacturer of ethanol. It has six distilleries with capacity to produce 800 KLPD of industrial alcohol and owns 14 co-generation plants having power generating capacity of 449 MW.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	6,302.32	6,076.56	4,007.38
PBILDT	254.93	261.66	15.71
PAT	-147.74	-91.53	-217.09
Overall gearing (times)	0.98	0.87	NA

Interest coverage (times)	1.21	1.68	NA

A: Audited UA: Unaudited NA: Not applicable; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2037	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
LT - Optionally convertible debentures	INE306A08EV6	18-12-2017	-	31-03-2037	3483.25	CARE B+; Negative

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB-; Stable (01-Apr-24)	-	1)CARE D (08-Mar-23)	1)CARE D (24-Dec-21)
2	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (01-Apr-24)	-	1)CARE D (08-Mar-23)	1)CARE D (24-Dec-21)
3	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4 (01-Apr-24)	-	1)CARE D (08-Mar-23)	1)CARE D (24-Dec-21)
4	LT - Optionally convertible debentures	LT	3483.25	CARE B+; Negative	1)CARE BB-; Stable (01-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Long Term-Optionally Convertible Debentures	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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