

June 23, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF BAJAJ HINDUSTHAN SUGAR LIMITED AND WITHDRAWS THE RATING TO ITS CP ISSUE

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	8,780.58 (enhanced from 4887.51)	CARE BB (Double B)	Reaffirmed
Short-term Bank Facilities	329.04 (reduced from 800)	CARE A4 (A Four)	Reaffirmed
Total Facilities	9,109.62		
Commercial Paper*	-	-	Withdrawn

* The rating is withdrawn at request of the company since it has not raised any amount against the aforementioned CP issue and there is no outstanding under the said issue as on date.

Rating Rationale

The ratings of the bank facilities of Bajaj Hindusthan Sugar Limited (BHSL – erstwhile Bajaj Hindusthan Ltd) take into account the weak financial performance of the company during 18-month period ended March 2014 and FY15 (refers to the period April 1 to March 31) which has led to the restructuring of the bank facilities. The ratings also factor in BHSL's substantial investment in project-stage group companies and its large debt repayment obligations in the short to medium term.

The ratings continue to remain constrained by the cyclical sugar industry, working capital-intensive nature of operations and regulated nature of business.

However, the ratings continue to derive strength from BHSL's experienced promoters and management team, long track record of operations, multi-location manufacturing setup, integrated nature of operations and established position in the industry.

Going forward, the company's ability to improve profitability amidst high State Advised Prices (SAP) and improvement in capital structure shall be the key rating sensitivities.

Background

BHSL, a part of the 'Shishir Bajaj Group', is one of the largest sugar manufacturing companies in the country and also the largest industrial alcohol manufacturer in India. 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. The company also has two Medium Density Fiber Board manufacturing plants with capacity of 35,000 MT per annum.

BHSL reported a total income of Rs.6,644.25 crore with a net loss of Rs.1,533.12 crore for the 18-month period ended March 31, 2014. As per the provisional results for FY15, BHSL reported an operating income of 4,531.46 crore and a net loss of Rs.1,097.22 crore.

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

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

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

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CIN - L67190MH1993PLC071691