Bajaj Hindusthan Sugar Limited

July 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	8780.58	**CARE D [Single D]**	Revised from CARE BB+ [Double B Plus]
Short-term Bank Facilities	329.04	**CARE D [Single D]**	Revised from CARE A4+ [A Four Plus]
Total Facilities	**9109.62 (Rs. Nine thousand one hundred and nine crore and sixty two lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings of Bajaj Hindusthan Sugar Limited (BHSL) takes into account the delay in repayment of its debt obligations during Q1FY18 (refers to the period April 1 to June 30) due to which the Joint Lender's Forum (JLF) have decided to consider the restructuring of the borrowings of the company under the Scheme for Sustainable Structuring of Stressed Assets (S4A scheme). The delays were largely attributable to high debt servicing obligations with relatively weak cash flows despite significant improvement in the cash accruals and company's inability to raise funds to ease liquidity pressure.

Going forward, the company's ability to service its debt obligations in a timely manner and improve its capital structure shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations

The company has delayed in repayment of its debt obligations during Q1FY18 primarily on account of high debt obligations and relatively low PBILDT margin (despite an improved operational performance in FY17 as compared with previous year). BHSL was exploring various options to ease out its liquidity position, however it was unable to recover advances extended to its group companies and furthermore, an unsuccessful attempt to hive-off BHSL's 449 MW power co-generation plant compounded the liquidity pressure. The Joint Lender's Forum (JLF) has thus decided to reconsider its restructuring of loans under Scheme for Sustainable Structuring of Stressed Assets Scheme (S4A) with June 23, 2017 as the effective (reference) date.

Regulated nature of sugar business

The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various 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. The SAP for FY16 was kept unchanged at Rs.280 per quintal. The UP Government however on November 18, 2016 had announced an increase in the SAP prices of Rs.25/quintal for the sugar season (SS) 2016-17 to Rs.305/quintal. Mills will be required to pay the entire cane price upfront unlike in SS2015-16 when mills had flexibility of paying Rs.50/quintal within a period of 90 days.

Substantial investment in group companies

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

The group has implemented a power project under Bajaj Energy Pvt Ltd (BEPL) and commissioned a 1,980 MW project under Lalitpur Power Generation Company Limited (LPGCL). BHSL has invested more than Rs.4,000 crore in its group companies by way of investments or loans and advances. Inability of BHSL to recover these advances in a timely manner has led to the stretched liquidity.

Key Rating 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 Mr 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 the years to become one of the largest sugar producers in the country.

Mr Shishir Bajaj has over 39 years of experience in the sugar industry. He is assisted by his son, Mr Kushagra Nayan Bajaj, the present chairman and managing director in managing the business.

As per the audited results, during FY17, BHSL reported operating income of Rs.4,618.64 crore (Rs.4,882.62 crore in FY16) with a net profit of Rs.7.40 crore (net loss of Rs.119.79 crore in FY16).

Analytical approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings]

[CARE's Policy on Default Recognition]

[CARE's Methodology for manufacturing companies]

[Financial ratios – Non-Financial Sector]

About the Company

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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	4882.62	4618.64
PBILDT	949.15	1017.77
PAT	-119.79	7.40
Overall gearing (times)	1.57	1.45
Interest coverage (times)	1.12	1.27

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has 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.*

Analyst Contact:
Name: Mr Gaurav Dixit
Tel: 011 – 4533 3235
Mobile: +91 97170 70079
Email: gaurav.dixit@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based LT-Term Loan	NA	NA	March 31, 2024	8780.58	CARE D
Non-Fund based ST - BG	NA	NA	-	329.04	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (23-Jun-15)	1)CARE A4 (16-Oct-14)
2.	Fund-based - LT-Term Loan	LT	3802.59	CARE D	-	1)CARE BB+ (03-Nov-16)	1)CARE BB (02-Feb-16) 2)CARE BB (23-Jun-15)	1)CARE BB (16-Oct-14)
3.	Fund-based - LT-Working capital Term Loan	LT	4977.99	CARE D	-	1)CARE BB+ (03-Nov-16)	1)CARE BB (02-Feb-16) 2)CARE BB (23-Jun-15)	1)CARE BB (16-Oct-14)
4.	Non-fund-based - ST-BG/LC	ST	329.04	CARE D	-	1)CARE A4+ (03-Nov-16)	1)CARE A4 (02-Feb-16) 2)CARE A4 (23-Jun-15)	1)CARE A4 (16-Oct-14)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691