

## Bajaj Hindusthan Sugar Limited

January 30, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	7227.13	<b>CARE D (Single D)</b>	Reaffirmed
Short-term Bank Facilities	329.04	<b>CARE D (Single D)</b>	Reaffirmed
<b>Total Facilities</b>	<b>7556.17</b> <b>(Seven thousand five hundred and fifty six crore and seventeen lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bajaj Hindusthan Sugar Limited (BHSL) continues to take into account the instances of delay in the repayment of its debt obligations on account of its stretched liquidity position and weak financial profile.

**Key Rating Sensitivities:** Going forward, the ability of the company to turn around its operations with the positive PAT in projected years on a sustainable basis and ability to service its debt obligations in a timely manner would remain the key rating sensitivities.

### Positives:

- Regularization of the debt obligations of the company with no delays.
- Turn around its operations with positive PAT resulting in improvement in its financial risk profile
- Timely realization of its investments from its group companies.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### ***Stretched liquidity & Delays in servicing of debt obligations***

The company had delayed in some of its debt obligations in repayments of dues to various financial institutions, bank and government during FY19, based on information available and assessment made by the statutory auditors. BHSL has incurred continuous losses in past 2 years resulting in erosion of its net worth. Low sugar realisations in the past due to excess sugar supply in the market has led to stress on the liquidity position of the company and eventually led to delays in servicing of some of its debt obligations. BHSL is carrying a large stock of sugar inventory on account of impositions by the government on the monthly sales by the sugar companies to protect the interest of the sector on account of surplus production in the past sugar seasons. Further, BHSL is expecting claim amount & interest from UP government totalling to approximately Rs 1500 crore (after Allahabad high court termed UP State's suspension of incentives under policy in 2004 to attract investments in Sugar sector "arbitrary") which will be utilized for the operations of the company.

#### ***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 has invested a substantial amount in its group companies by way of investments and loans & advances. Inability of BHSL to recover these advances in a timely manner in the past has led to its stretched liquidity position. The management is however planning to recoup the said advances by planning an IPO in Bajaj Energy limited (BEL) for which a DRHP has already been filed with SEBI on April 05, 2019. The funds raised through the said issue will partly be utilized by BEL to purchase the stake of LPGCL from BHSL. The said fund infusion in BHSL will be entirely be utilized for de-leveraging its balance sheet which shall aid in the improvement in its capital structure going ahead. The exact issue size & funds infusion shall however depend on factors like market conditions, valuations, etc

#### ***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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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 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. Kushagra Nayan Bajaj has considerable experience in the sugar industry and is assisted by a team of professionals having significant experience in the industry.

**Analytical approach:** Standalone

### Applicable Criteria

[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 1.60 MtCu per annum and one particle board plant of 0.50 lac Mt Cu per annum.

### Brief Financials:

(Rs crore)

Particulars	FY18 (A)	FY19 (A)
Total operating income	6087.48	6952.15
PBILDT	431.95	451.84
PAT	-423.19	-64.08
Overall gearing (times)	1.90	1.77
Interest coverage (times)	0.64	1.40

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

### 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	-	-	March 2037	5916.89	CARE D
Fund-based - LT-Working capital Term Loan	-	-	-	1310.24	CARE D
Non-fund-based - ST-BG/LC	-	-	-	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	5916.89	CARE D	1)CARE D (30-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (10-Jul-17)	1)CARE BB+ (03-Nov-16)
2.	Fund-based - LT-Working capital Term Loan	LT	1310.24	CARE D	1)CARE D (30-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (10-Jul-17)	1)CARE BB+ (03-Nov-16)
3.	Non-fund-based - ST-BG/LC	ST	329.04	CARE D	1)CARE D (30-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE D (10-Jul-17)	1)CARE A4+ (03-Nov-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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