

Mr. Akash Sharma  
Vice President  
Bajaj Hindusthan Sugar Limited  
Bajaj Bhawan, B-10, Sector-3,  
Jamnalal Bajaj Marg, Noida - 201301

January 27, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY19 (Audited) and H1FY20 (UA), our Rating Committee has reviewed the following ratings:

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

2. Refer **Annexure 1** for details of rated facilities.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 28, 2020, we will proceed on the basis that you have no comments to offer.

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

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,  
Yours faithfully,

O.M

CARE Ratings Ltd.

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*Omkar Mishra*

**Omkar Mishra**

Analyst

[omkar.mishra@careratings.com](mailto:omkar.mishra@careratings.com)

*for Gama D.K.*

**Ravleen Sethi**

Senior Manager

[ravleen.sethi@careratings.com](mailto:ravleen.sethi@careratings.com)

Encl.: As above

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

Banks	TL-1	TL-2 SEFASU	TL-3	WCTL-1	WCTL- 2	FITL	Others	OCD's	Addnl WC	Grand Total
Allahabad Bank	181.97	-	5.80	73.08	-	15.87		366.82	129.97	773.52
Bank of Baroda	25.57	-	1.40	36.43	-	3.76		88.86	31.52	187.53
Bank of India	35.79	-	0.81	-	-	1.85		52.30	18.57	109.32
Bank of Maharashtra	181.77	-	4.08	-	-	10.99		261.76	92.85	551.44
Canara Bank	123.94	-	2.73	-	-	7.42		177.98	63.14	375.21
Central Bank of India	20.50	3.70	4.47	118.09	36.82	10.70		287.25	108.05	589.58
Corporation Bank	25.09	4.15	1.96	46.96	-	4.37		138.99	51.95	273.48
IDBI Bank Ltd	66.65	-	3.88	93.44	-	9.71		255.46	93.31	522.45
Indian Overseas Bank	-	-	1.14	54.76	-	3.18		79.01	27.85	165.95
Oriental Bank of Commerce	79.41	2.08	4.09	78.12	-	9.60		251.72	97.42	522.45
Punjab National Bank	-	-	9.24	263.21	61.10	18.46		546.70	226.52	1125.23
State Bank of India	219.18	0.47	13.47	323.12	-	32.78		860.70	327.31	1777.04
UCO Bank	-	-	-	81.89	-	4.96		115.68	41.78	244.31
Sugar Development Fund							8.80		-	8.80
DCT UP	-			-	-		0.83		-	0.83
<b>Total</b>	<b>959.88</b>	<b>10.40</b>	<b>53.08</b>	<b>1,169.09</b>	<b>97.92</b>	<b>133.64</b>	<b>9.63</b>	<b>3,483.25</b>	<b>1,310.24</b>	<b>7,556.17</b>

**Repayment terms**

- TL-1, TL-3, WCTL-1, WCTL-2, TIM Equal quarterly Installments till Mar 2024
- TL-2 SEFASU: Fully repaid on June 03, 2019
- OCD: 13 equal annual installments from March 2025 till March 2037

**Total long term facilities are : Rs. 7227.13 crore**

**2. Short-term facilities**

**Non fund based limits (Rs. Crore)**

Name of Bank	BG
State Bank of India	100.21
Punjab National Bank	160.64
Central Bank of India	23.97
Oriental Bank of Commerce	44.22
<b>Total</b>	<b>329.04</b>

**Total short-term bank facilities are : Rs. 329.04 crore**



## Bajaj Hindusthan Sugar Limited

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	7227.13	CARE D (Single D)	Reaffirmed
Short-term Bank Facilities	329.04	CARE D (Single D)	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*

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



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.

### 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	-	-	-	1310.24	CARE D

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Loan					
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.



## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name: Ms Ravleen Sethi

Group Head Contact no.: 011- 45333278

Group Head Email ID: [ravleen.sethi@careratings.com](mailto:ravleen.sethi@careratings.com)

### Business Development Contact

Name: Swati Agrawal

Contact no. : +91-11-4533 3200

Email ID: [swati.agrawal@careratings.com](mailto:swati.agrawal@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.

#### Disclaimer

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