

February 10, 2016

DCS - CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 023 Fax No. 2272 3719/ 2037 Stock Code: 500032	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/I, 'G' Block Bandra- Kurla Complex Bandra East Mumbai 400 051 Fax No. 2659 8237/ 8238 Stock Code: BAJAJHIND
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Dear Sirs,

Sub: Reaffirmation of Long-term and Short-term Bank Facilities rating

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, we would like to inform that Credit Analysis & Research Limited (CARE Ratings) has reviewed the credit rating for Company's bank facilities as follows:-

Sl. No.	Facilities	Amount (Rs. crore)	Rating	Remarks
1	Long term Bank Facilities	8780.58	CARE BB (Double B)	Reaffirmed
2	Short term Bank Facilities	329.04	CARE A4 (A Four)	Reaffirmed
Total facilities		9109.62		

The rationale for the ratings is attached as Annexure 1.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Bajaj Hindusthan Limited



Pradeep Parakh
Group President (GRC) &
Company Secretary

Encl.: As above

Annexure - I
Rating Rationale
Bajaj Hindusthan Sugar Limited (BHSL)

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	8,780.58	CARE BB (Double B)	Reaffirmed
Short-term Bank Facilities	329.04	CARE A4 (A Four)	Reaffirmed
Total Facilities	9,109.62 (Rupees Nine Thousand One Hundred and nine crore and sixty two lakh only)		

Rating Rationale

The ratings of the bank facilities of Bajaj Hindusthan Sugar Limited (BHSL – erstwhile Bajaj Hindusthan Ltd) continues to be constrained by the weak financial performance of the company during FY15 (refers to the period April 1 to March 31) owing to low prevailing sugar prices and mounting losses. The ratings also factor in BHSL's substantial investment in group companies (in early phase of business operations), 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 and integrated nature of operations.

Going forward, the company's ability to improve its profitability and 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.

Credit Risk Assessment

Long track record of operations and experienced promoters

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

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.

Multi-location manufacturing setup

Multi-location facilities with proximity to sugar cane growing areas of Uttar Pradesh provides abundant supply of sugarcane, expedient crushing of sugarcane within a very short time of harvest ensures a better recovery of sugar and proximity of distilleries to the sugar mill reduces transportation costs (of molasses for alcohol manufacturing). The area of sugarcane sowing in UP is well-irrigated on account of presence in the Gangetic River belt, as a result, the sugarcane crop is relatively less dependent upon the vagaries of monsoons compared to other parts of the country. However, the company is also exposed to geographical concentration risk as all its sugar mills are located in UP and are thereby susceptible to the state government policies.

Diversified revenue streams

BHSL is forward integrated into cogeneration and distillery operation that partially de-risk the losses from core sugar business of the company to some extent. The company had a distillery capacity of 800 KLPD and power generation capacity of 449 MW. The total sales mix of the company comprises of sugar (80% to total sales), distillery (8%), power (7%) and others (5%). Since the exposure of the company in sugar segment is significant, the losses arising from sugar (Rs.733.48 crore) has offset the marginal profits of other divisions leading to an operating loss (before interest and other un-allocable expenses).

Weak financial performance

During FY15, BHSL suffered a net loss of Rs.1097.22 crore on a total operating income of Rs.4686.72 crore. The State Advised Prices (SAP) for sugar cane in UP have been among the highest in the country and relatively low sugar realization during the past few years has led to cash losses in the recent years. Despite the waivers and subsidies extended by the state government to sugar mills (in form of tax waivers and subsidies to the tune of Rs.11.03 per quintal), subsidy of Rs.6 per quintal for clearing cane arrears and partial linkage of second tranche payment of cane price with the threshold average sugar price realization of Rs.3100 per quintal, the cane cost remained higher than the sugar prices for the past few years leading to accumulation of losses. On the back of increasing losses due

to challenging operating environment for the sugar manufacturers, the company got the restructuring of bank facilities approved from the lenders thereby reducing the debt obligations till the moratorium period (July 31, 2016). With the sugar prices showing signs of recovery on the back of government measures and lower production expectations along with BHSL's ability to improve efficiency and profitability to meet debt obligations post moratorium period will be crucial.

Relatively high investment commitments towards group companies

The group has implemented a power project under Bajaj Energy Pvt Ltd (BEPL) and is currently implementing a 1,980 MW project under Lalitpur Power Generation Company Limited (LPGCL - of which two of the three units of 660 MW have been recently commissioned).

The total cost of this project being setup in LPGCL is estimated at Rs.12,112 crore being funded by way of debt to equity ratio of 73:27 (debt Rs.8,886 crore and equity Rs.3,226 crore). BHSL has to maintain at least 26% equity stake in the project, the balance stake being owned by group companies. Out of the total equity commitment of approximately Rs.840 crore, BHSL has invested Rs.770.13 crore in LPGCL till March 31, 2015. The company also has large exposure towards its other group companies with the total loans & advances and investments in group companies amounted to Rs.3,486.68 crore as on March 31, 2015.

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. Although the SAP for the last season was kept unchanged at Rs.280 per quintal, it was the declining trend of the sugar prices mounted the pressure and losses for the sugar mills. The various measures adopted by the government, viz, export subsidy on raw sugar, additional cane subsidy of Rs.28.60 per quintal, ethanol blending program, extending soft loan to mills and raising the import duty on sugar are the short term measures. Unless some concrete steps are taken for improving the financial position of the mills which at the same time is beneficial for the farmers at large, the sugar mills may continue to reel under huge losses and may eventually render the operations unviable.

Financial Performance

(Rs. Cr)

For the period ended	Sep'12 (12m, A)	Mar'14 (18m, A)	Mar'15 (12m, A)
Working Results			
Total Operating income	4469.55	6746.11	4686.72
PBILDT	663.84	104.38	-10.49
Interest	661.28	1127.5	888.94
Depreciation	348.82	531.72	239.94
PBT	-321.32	-1508.06	-1101.05
PAT (after deferred tax)	-252.47	-1533.12	-1097.22
Gross Cash Accruals	26.51	-1001.4	-1152.04
Financial Position			
Equity Share Capital	63.94	63.94	81.02
Tangible Net-worth	4093.93	2559.11	1806.77
Total Debt	5708.00	6274.67	7283.91
Key Ratios			
<i>Profitability</i>			
PBILDT/Total Op. income (%)	14.85	1.55	-0.22
PAT (after deferred tax)/ Total income (%)	-5.65	-22.73	-23.41
ROCE (%)	3.73	-2.72	-5.61
RONW (%)	-6.90	-30.73	-50.26
<i>Solvency</i>			
Debt Equity ratio (times)	0.59	1.25	3.95
Overall gearing ratio (times)	1.39	2.56	4.03
PBILDT/Interest (times)	1.00	0.09	-0.01
PBIT/Interest (times)	0.48	-0.38	-0.28
Term debt/Gross cash accruals (years)	91.35	-3.19	-6.20
<i>Liquidity</i>			
Current ratio (times)	0.67	0.70	1.54
Quick ratio (times)	0.55	0.33	0.84
<i>Turnover</i>			
Average collection period (days)	18	17	15
Average creditors (days)	25	124	215
Average inventory (days)	49	133	188
Operating cycle (days)	43	26	-12

Details of Rated Facilities

1. Long-term facilities

Banks	TL-1	TL-2	TL-3	WCTL-1	WCTL-2	FITL	Addl WC	Total
Satte Bank of India	400.00	85.20	27.34	727.99	-	84.72	225.51	1,550.76
Punjab National Bank	-	100.00	27.46	772.73	186.49	69.11	226.52	1,382.31
Allahabad Bank	499.90	-	15.76	200.00	-	52.56	129.97	898.19
Central Bank of India	60.00	44.39	13.10	345.71	107.80	37.86	103.05	716.91
Oriental Bank of Commerce	230.42	25.00	11.81	225.00	-	34.20	97.42	623.85
IDBI Bank Ltd	192.50	40.00	11.31	270.00	-	34.74	93.31	641.86
Bank Of Maharashtra	500.00	-	11.26	-	-	37.55	92.85	641.66
State Bank of Patiala	138.13	-	8.49	140.00	-	20.89	70.03	377.54
Canara Bank	340.00	-	7.65	-	-	25.53	63.14	436.32

Banks	TL-1	TL-2	TL-3	WCTL-1	WCTL-2	FITL	Addl WC	Total
Corporation Bank	80.00	50.00	6.30	149.76	-	17.26	51.95	355.27
UCO Bank	-	-	5.07	225.00	-	16.90	41.78	288.75
State Bank of Hyderabad	95.00	8.50	3.85	67.57	-	12.21	31.77	218.90
Bank of Baroda	70.00	-	3.82	99.75	-	12.75	31.52	217.84
Indian Overseas Bank	-	-	3.38	149.95	-	11.26	27.85	192.44
Bank of India	100.00	-	2.25	-	-	7.51	18.57	128.33
Sugar Development Fund	-	108.57	-	-	-	-	-	108.57
DCT UP	-	1.10	-	-	-	-	-	1.10
Total	2,705.95	462.76	158.85	3,373.46	294.29	475.05	1,310.24	8,780.60

2. Short-term facilities

Non fund based limits (Rs Crore)

Banks	BG
State Bank of India	1.21
Punjab National Bank	160.64
Central Bank of India	23.97
Oriental Bank of Commerce	44.22
State Bank of Patiala	99.00
Total	329.04

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings 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.

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.

ANNEXURE - II
BRIEF RATIONALE
CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
BAJAJ HINDUSTHAN SUGAR LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
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BHSL had a total income of Rs.4686.72 crore with a net loss of Rs.1097.22 crore in FY15 (refers to the period April 1 to March 31) as compared with the total income of Rs.6746.11 crore and a net loss of Rs.1533.12 crore during the 18-month period ended March 31, 2014.

CREDIT ANALYSIS & RESEARCH LTD.

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