**Bajaj Hindusthan Sugar Limited (BHSL)**

**Information Memorandum**

**LIST OF ABBREVIATIONS**

| **Abbreviation** | **Description** |
| --- | --- |
| BCCL | Bajaj Consumer Care Limited |
| BEL | Bajaj Energy Limited |
| BHSL | Bajaj Hindusthan Sugar Limited |
| BPVPL | Bajaj Power Ventures Private Limited |
| BSE | Bombay Stock Exchange |
| CIN | Corporate Identity Number |
| CRA | Credit rating agencies |
| Cr | Crores |
| DSCR | Debt Service Coverage Ratio |
| DSRA | Debt Service Reserve Account |
| DTD | Debenture Trust Deed |
| EBITDA | Earnings before interest, tax, depreciation, and amortisation |
| ENA | Extra Neutral Alcohol |
| FMCG | Fast Moving Consumer Goods |
| FRP | Fair & Remunerative Prices |
| FY | Financial Year |
| HSML | Hindusthan Sugar Mills Limited |
| ICA | Inter Creditor Agreement |
| ICDR | Issue of Capital and Disclosure Requirements |
| INR | Indian rupee |
| ISMA | Indian Sugar Mill Association |
| Kg | Kilogram |
| KLPD | Kilo Litre per day |
| LPGCL | Lalitpur Power Generation Company Limited |
| Ltd | Limited |
| MC | Monitoring Committee |
| MFA | Master Framework Agreement |
| MMT | Million metric tonnes |
| MSP | Minimum Selling Price |
| MW | Mega Watt |
| NPV | Net Present Value |
| NSE | National Stock Exchange |
| OC | Overseeing Committee |
| OCD | Optionally Convertible Debentures |
| PAT | Profit after tax |
| PBT | Profit before tax |
| Q1/2/3/4 | Quarter 1/2/3/4 |
| R&M | Repairs and maintenance |
| RoC | Registrar of Companies |
| S4A | Scheme for Sustainable Structuring of Stressed Assets |
| SAP | State Advised Price |
| SEBI | Securities and Exchange Board of India |
| SPV | Special Purpose Vehicle |
| TCD | Tonnes crushed per day |
| TDS | Tax Deducted at Source |
| TEV | Techno- economic viability study |
| UP | Uttar Pradesh |
| UPPCL | Uttar Pradesh Power Corporation limited |
| USD | US Dollar |
| WPI | Wholesale Price Index |
| YTM | Yield to Maturity |

1. **Executive summary**
   1. Brief background

* **Bajaj Group** of Companies (hereinafter referred as the ’Bajaj Group’) is one of the leading industrial groups in India and was founded by Late Shri Jamnalal Bajaj in the 1930s. The Group has a dominant presence in various sectors including sugar manufacturing, industrial alcohol/ ethanol production, manufacturing, and marketing of FMCG products, bagasse-based co-generation of power and coal-based power generation.
* **Bajaj Hindusthan Sugar Limited (BHSL)**, a Bajaj Group company, has the largest sugar and industrial alcohol / ethanol manufacturing capacity in India. BHSL has 14 sugar factories with an aggregate capacity of 1.36 lakh tons of cane crushed per day (TCD). It has six distilleries with capacity to produce 800 kilo litres per day (KLPD) of industrial alcohol / ethanol and owns co-generation plants having power generating capacity of 449 MW.
  1. Bajaj Hindusthan Sugar Limited

The Company’s manufacturing capabilities are as follows:

* **14 sugar mills**: Largest sugarcane crushing capacity of 1,36,000 TCD
* **6 industrial alcohol/ ethanol distilleries**: Largest distillation capacity of 800 KLPD
* **14 co-generation power plants**: Green power (bagasse based) generation capacity of 449 MW, out of which about 151 MW is exportable to Uttar Pradesh Power Corporation Limited (UPPCL)

All the manufacturing facilities are spread across UP in east, west & central zones.

**Financial snapshot of BHSL**

***Amount in INR Crores***

| **Particulars** | **FY19 (Audited)** | **FY20 (Audited)** | **FY21 (Audited)** | **FY22 (Audited)** |
| --- | --- | --- | --- | --- |
| Revenue | 6,967 | 6,677 | 6,688 | 5,590 |
| EBITDA | 467 | 470 | 196 | 246 |
| *EBITDA margin* | *6.70%* | *7.04%* | *2.93%* | *4.40%* |
| PAT | (64) | (105) | (280) | (218) |
| Net Worth | 3,405 | 3,254 | 2,941 | 2,877 |
| Non - Current Liabilities | 6,087 | 5,852 | 5,511 | 4,863 |
| Current Liabilities | 4,914 | 4,983 | 5,228 | 5,869 |
| Non – Current Assets | 7,675 | 7,439 | 7,304 | 7,051 |
| Current Assets | 6,731 | 6,651 | 6,375 | 6,559 |

The Company is listed on BSE and NSE with the following listing details as on 26 May 2022:

| **Particulars** |  |
| --- | --- |
| Current Market Price | INR 13.80 |
| 52 weeks high/ low | INR 24.75/ INR 10.80 |
| Market Capital | INR 1,756.37 Cr |
| Shares outstanding | 1,27,73,59,942 |

1. **Bajaj Hindusthan Sugar Limited (BHSL)**
   1. Company overview

Bajaj Hindusthan Sugar Limited (BHSL or ‘the Company’) is the flagship Company of the Bajaj Group (‘the Group’). It has the largest sugar and industrial alcohol / ethanol manufacturing capacity in India. The Company is listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The Company was incorporated as ‘The Hindusthan Sugar Mills Limited’ (HSML) in 1931 by Late Shri Jamnalal Bajaj. Subsequently, HSML was renamed as Bajaj Hindusthan Limited in 1988 and presently as Bajaj Hindusthan Sugar Limited (BHSL) since January 2015.

The details of the Company are as follows:

|  |  |
| --- | --- |
| **Company Name** | Bajaj Hindusthan Sugar Limited |
| **Date of Incorporation** | 24 November 1931 |
| **CIN** | L15420UP1931PLC065243 |
| **Authorised share capital** | INR 5,00,00,00,000 (as on 31 March 2022) |
| **Paid up share capital** | INR 1,27,73,59,942 (as on 31 March 2022) |
| **Registered address** | Golagokaranath, Lakhimpur Kheri, District Kheri, Uttar Pradesh, India – 262802 |
| **Corporate Office** | Bajaj Bhawan B-10, Sector 3, Jamnalal Bajaj Marg Noida – 201301, Uttar Pradesh, India |
| **Stock Exchange listing** | Listed on NSE and BSE |

The key milestones of the Company are listed below:

| **Year** | **Achievement** |
| --- | --- |
| **1931** | * Established its first sugar manufacturing plant at Golagokaranath, District Lakhimpur Kheri in Uttar Pradesh (UP) under the name of Hindusthan Sugar Mills Limited (HSML) with crushing capacity of 400 TCD * Amongst the 30 sugar mills that initiated the future of sugar industry in India |
| **1944** | * Company’s first distillery unit successfully commenced operations * First of its kind to supply alcohol mixed petrol |
| **1967** | * A new subsidiary being, Sharda Sugar and Industries Limited was established as a subsidiary of HSML * Under this new subsidiary, a sugar plant with a cane crushing capacity of 1,400 TCD was set up in 1972 at Palia Kalan, a large cane supplying centre at a distance of about 70 kms from Golagokarannath * The objective of this new unit was primarily to help the cane growers of the area supply their produce to the new location closer to their fields, thereby cutting down on transportation costs |
| **1988** | * The name of HSML was changed to Bajaj Hindusthan Limited (BHL) |
| **1990** | * Sharda Sugar and Industries Limited was amalgamated with BHL |
| **2003 – 2007** | * Major greenfield expansion drive by adding sugar (3 units in east UP, 3 units in central UP and 5 units in west UP) and distillery plants (1 in central UP and 2 in west UP and 1 in east UP) * In December 2005, BHL acquired Pratappur Sugar and Industries Limited (PSIL) in Deoria district in eastern UP with a crushing capacity of 3,200 TCD which increased to 6,000 TCD in the subsequent Sugar Season (SS) of 2007. This acquisition helped provide BHL a strategic foothold in the sugar-deficient region of eastern UP. Subsequently, PSIL was renamed as Bajaj Hindusthan Sugar and Industries Limited (BHSIL) * At the end of 2007, BHL had ten sugar manufacturing locations across UP with a cane crushing capacity of 96,000 TCD and was also the country’s largest ethanol producer with a capacity of 480 KLPD * The total cane crushing capacity (including its subsidiaries) reached 1,36,000 TCD while the total industrial alcohol/ ethanol capacity of the Company, including its subsidiary, was 800 KLPD |
| **2008** | * BHL set up a wholly owned subsidiary, Bajaj Eco-tech Products Limited, which commenced commercial production of environment friendly Medium Density Fibre Boards (MDF) and Particle Boards (PB) based on sugarcane bagasse |
| **2009** | * BHSIL commissioned three bagasse-based co-generation power plants at Kundarkhi, Rudauli and Utraula with an aggregate power generation capacity of 95.8 MW * Combined with the power generation capacity of 325 MW from BHL, the Company’s total generation capacity was 449 MW * After meeting its own energy needs, the Company had surplus power * It supplied a significant part of this surplus power to Uttar Pradesh Power Corporation Limited (UPPCL) |
| **2010 – 2012** | * in April 2010, BHSIL was amalgamated with BHL * In April 2012, Bajaj Eco-tech Products Limited was amalgamated with BHL |
| **2015** | * BHL was renamed as Bajaj Hindusthan Sugar Limited (BHSL) in January 2015 |

Currently, the Company is engaged in the following businesses:

* **Sugar manufacturing:** 14 sugar manufacturing plants in Uttar Pradesh (UP) with aggregate sugarcane crushing capacity of 1,36,000 Tons of Cane per Day (TCD)
* **Ethanol production:** 6 of the14 sugar manufacturing plants have the distillery units, with capacity to produce 800 Kilo Litres Per Day (KLPD) industrial alcohol / ethanol
* **Power generation:** Bagasse-based co-generation (co-gen) power plants at all 14 sugar plant locations with aggregate capacity of 449 MW. The Company captively utilises power produced from all the co-gen plants and also exports surplus power to Uttar Pradesh Power Corporation Limited (UPPCL) from 11 of its sugar plants

***For details on the manufacturing process and facilities, kindly refer to Section 4.***

* 1. Present shareholding pattern

The shareholding pattern of BHSL as on 31 March 2022 is presented below:

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Number of Shares** | **Shareholding %** |
| Promoter | 31,87,43,422 | 24.95% |
| Banks (Public) | 23,20,03,349 | 18.16% |
| Other Public | 72,66,13,171 | 56.89% |
| **Total** | **1,27,73,59,942** | **100.00%** |

***For detailed shareholding pattern, kindly refer to Annexure 1.***

The Company is listed on BSE and NSE with the following listing details as on 26 May 2022:

| **Particulars** |  |
| --- | --- |
| Current Market Price | INR 13.80 |
| 52 weeks high/ low | INR 24.75/ INR 10.80 |
| Market Capital | INR 1,756.37 Cr |
| Shares outstanding | 1,27,73,59,942 |

* 1. Director profile

BHSL is managed by a professional management team under the guidance and supervision of its Board of Directors. The Board of Directors of BHSL as on 20 May 2022 is as under:

| **Name** | **Designation** | **DIN** | **Date of appointment** |
| --- | --- | --- | --- |
| Mr. Kushagra Bajaj | Chairman | 00017575 | 26 February 2008 |
| Mr. Ajay Kumar Sharma | Managing director | 09607745 | 20 May 2022 |
| Mr. D.K. Shukla | Independent director | 00025409 | 30 October 2001 |
| Ms. Shalu Bhandari | Independent director | 00012556 | 17 September 2016 |
| Mr. Atul H Mehta | Independent director | 00112451 | 01 January 2020 |
| Mr. Vinod C Sampat | Independent director | 09024617 | 21 January 2021 |
| Mr. Ashok Mukand | Nominee director (SBI) | 00324588 | 14 September 2015 |
| Mr. Ramani Ranjan Mishra | Nominee director (PNB) | 09389302 | 11 November 2021 |

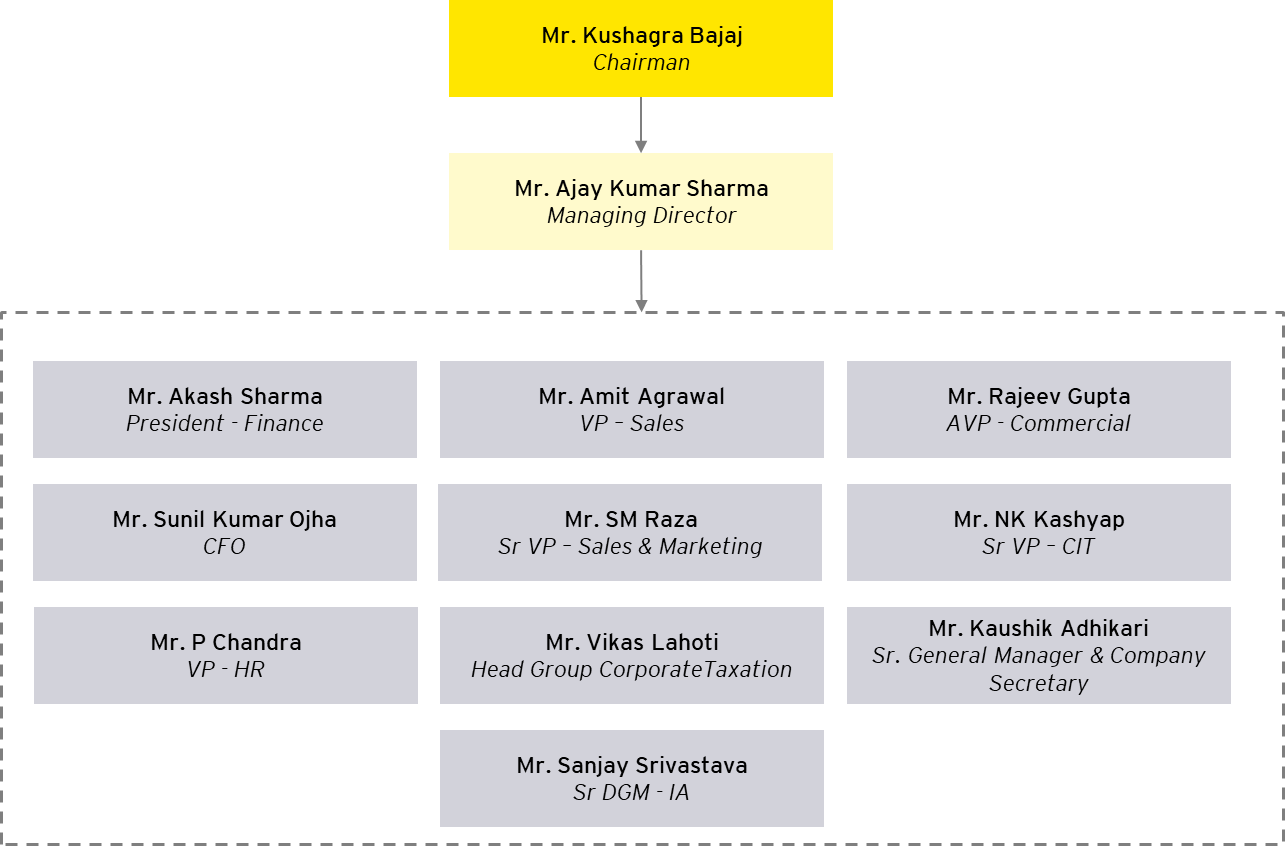
***Please refer to Annexure 2 for detailed writeup on the profile of the directors.***

* 1. Management team of BHSL

The Company is presently spearheaded by Kushagra Bajaj and is led by a team of professionals with over 100 years of experience. The day to day functioning of BHSL is managed by the following key management executives:

| Name | Designation | Qualification | Years of experience | Date of appointment in present position | Total number of years with BHSL |
| --- | --- | --- | --- | --- | --- |
| Mr. Ajay Kumar Sharma | Managing director | M. Sc (Agriculture), LLB | 32 | 20 May 2022 | 6 |
| Mr. Akash Sharma | President (Finance & Accounts) | CA, LLB and BCom | 30 | 22 March 2006 | 15 |
| Mr. Sunil Kumar Ojha | Chief Financial Officer | CA, ICWA and BCom (Hons) | 24 | 14 August 2021 | 0.4 |
| Mr. Vikas Lahoti | Head - Group Corporate Taxation | MBA, CA and BCom | 36 | 22 April 2013 | 8 |
| Mr. Syed Masood Raza | Senior Vice President (Sales & Marketing) | PGDBM and BCom (Hons) | 32 | 15 June 2005 | 16 |
| Mr. Naval Kishore Kashyap | Senior Vice President (Indirect Taxation) | Diploma (Excise & Customs) and BCom | 40 | 1 November 2011 | 10 |
| Mr. Amit Agrawal | Vice President (Sales) | PGDBM and BSc (Hons) | 24 | 1 December 2005 | 16 |
| Mr. Prabhakar Chandra | Vice President (HR) | MBA, LLB and BA | 28 | 9 August 2004 | 17 |
| Mr. Rajeev Gupta | Assistant Vice President (Commercial) | BE and BSc | 28 | 26 February 2018 | 3 |
| Mr. Kausik Adhikari | Sr. General Manager & Company Secretary | CS, M.Com and B.Com (Hons) | 20 | 1 June 2010 | 11 |
| Mr. Sanjay Srivastava | Sr. Dy. General Manager (Internal Audit) | CA and BCom | 20 | 2 November 2016 | 5 |

**The organization structure of BHSL is presented below:**



* 1. Subsidiary and associate companies

BHSL has the following Subsidiaries and Associate companies as on 31 March 2022, all of which are presently unlisted:

| **Name** | **Remarks** |
| --- | --- |
| **List of Subsidiaries** |  |
| Bajaj Aviation Private Limited (BAPL) | BAPL, 100% subsidiary of BHSL, holds NSOP licence and is in the business of providing air transportation services |
| Bajaj Power Generation Private Limited (BPGPL) | BPGPL, 100% subsidiary of BHSL, was set up for exploring opportunities in power sector |
| Bajaj Hindusthan (Singapore) Private Limited (BH(S)PL) | BH(S)PL, 100% subsidiary of BHSL, is a company incorporated in Singapore which holds the coal mining rights in Indonesia through its subsidiaries |
| PT. Batu Bumi Persada, Indonesia | Step down subsidiary being 99.00% subsidiary of BH(S)PL |
| PT. Jangkar Prima, Indonesia | Step down subsidiary being 99.88% subsidiary of BH(S)PL |
| **List of Associates** |  |
| Bajaj Ebiz Private Limited | Holding 49.50% |

* 1. Key awards/recognitions

The list of key awards/ recognitions received by the Company for the past five years have been presented below:

| **Year** | **Awards** |
| --- | --- |
| **2016** | Chairman & Managing Director, Kushagra Nayan Bajaj, was honoured with the "Manager of the Year" award by the Europe Business Assembly (EBA) at the International Achievement Forum-2016 event held on 22 March 2016 in the Institute of Directors, London |
| **2016** | BHSL was awarded with the "Best Enterprise Award" by the Europe Business Assembly (EBA) at the International Achievement Forum-2016 event held on 22nd March 2016 in the Institute of Directors, London |
| **2016** | Pride of India Award to Kushagra Bajaj by the Institute of Economic Studies, India’s premier research Institute, in recognition of his outstanding Performance in the field of industrial development of the country. Along with him, BHSL too received a “Gold Medal” |
| **2016** | Kinauni Unit of BHSL bagged the second prize at the State Energy Conservation Awards 2016 function organized by Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) |
| **2017** | BHSL Kinauni has been awarded as winner in distillery category for performance year 2015 for Lowest Average Frequency Rate in preceding three consecutive years including performance year |
| **2017** | BHSL Palia has been awarded as winner in distillery category for accident-free performance year 2015 |
| **2017** | National Safety Award by Government of India |
| **2018** | BHSL Palia has been awarded as winner in distillery category for performance year 2016 for Lowest Average Frequency Rate in preceding three consecutive years including performance year |
| **2018** | BHSL Palia has been awarded as winner in distillery category for accident-free performance year 2016 |
| **2018** | BHSL Rudhauli has been awarded as winner in sugar category for performance year 2016 for Lowest Average Frequency Rate in preceding three consecutive years including performance year |
| **2019** | National Safety Award for the year 2017 in the category of Accident-Free Years to Gangnauli Distillery` |
| **2019** | Lifetime Achievement Award to A. K. Gupta, Managing Director by Sugar Technologists Association of India (STAI) |
| **2020** | Golden Peacock Occupational Health & Safety Award’ for the year 2020 in Sugar Sector by Institute of Directors |
| **2022** | BHSL Palia has been Awarded excellence performance in Industrial Safety as Winner in distillery category for performance year 2018 bases on Lowest Average Frequency Rate. |
| **2022** | BHSL Budhana has been Awarded excellence performance in Industrial Safety as Runner-Up in sugar category for performance year 2018 bases on Lowest Average Frequency Rate. |
| **2022** | BHSL Gangnauli has been Awarded excellence performance in Industrial Safety as Runner-UP in Distillery category for performance year 2018 bases on Accident free year. |

* 1. Financial snapshot

**Snapshot of key financials of BHSL is as follows:**

***Amount in INR Crores***

| **Particulars** | **FY19 (Audited)** | **FY20 (Audited)** | **FY21 (Audited)** | **FY22 (Audited)** |
| --- | --- | --- | --- | --- |
| Revenue | 6,967 | 6,677 | 6,688 | 5,590 |
| EBITDA | 467 | 470 | 196 | 246 |
| *EBITDA margin* | *6.70%* | *7.04%* | *2.93%* | *4.40%* |
| PAT | (64) | (105) | (280) | (218) |
| *PAT margin* | *-0.92%* | *-1.57%* | *-4.19%* | 2,877 |
| Net Worth | 3,405 | 3,254 | 2,941 | 4,863 |
| Non - Current Liabilities | 6,087 | 5,852 | 5,511 | 5,869 |
| Current Liabilities | 4,914 | 4,983 | 5,228 | 7,051 |
| Non – Current Assets | 7,675 | 7,439 | 7,304 | 6,559 |
| Current Assets | 6,731 | 6,651 | 6,375 | 5,590 |

***For detailed financials, kindly refer to Section 5.***

1. **Operational performance**
   1. Manufacturing facilities

Manufacturing capacities of the Company include:

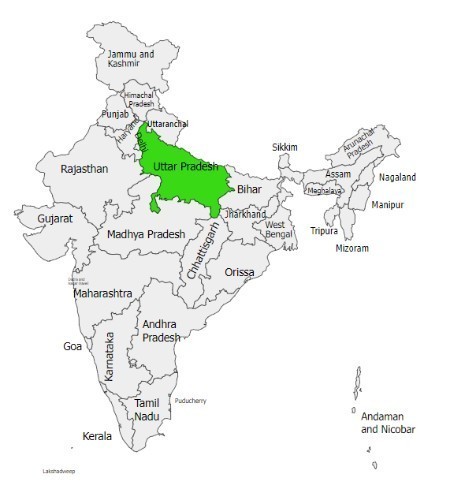
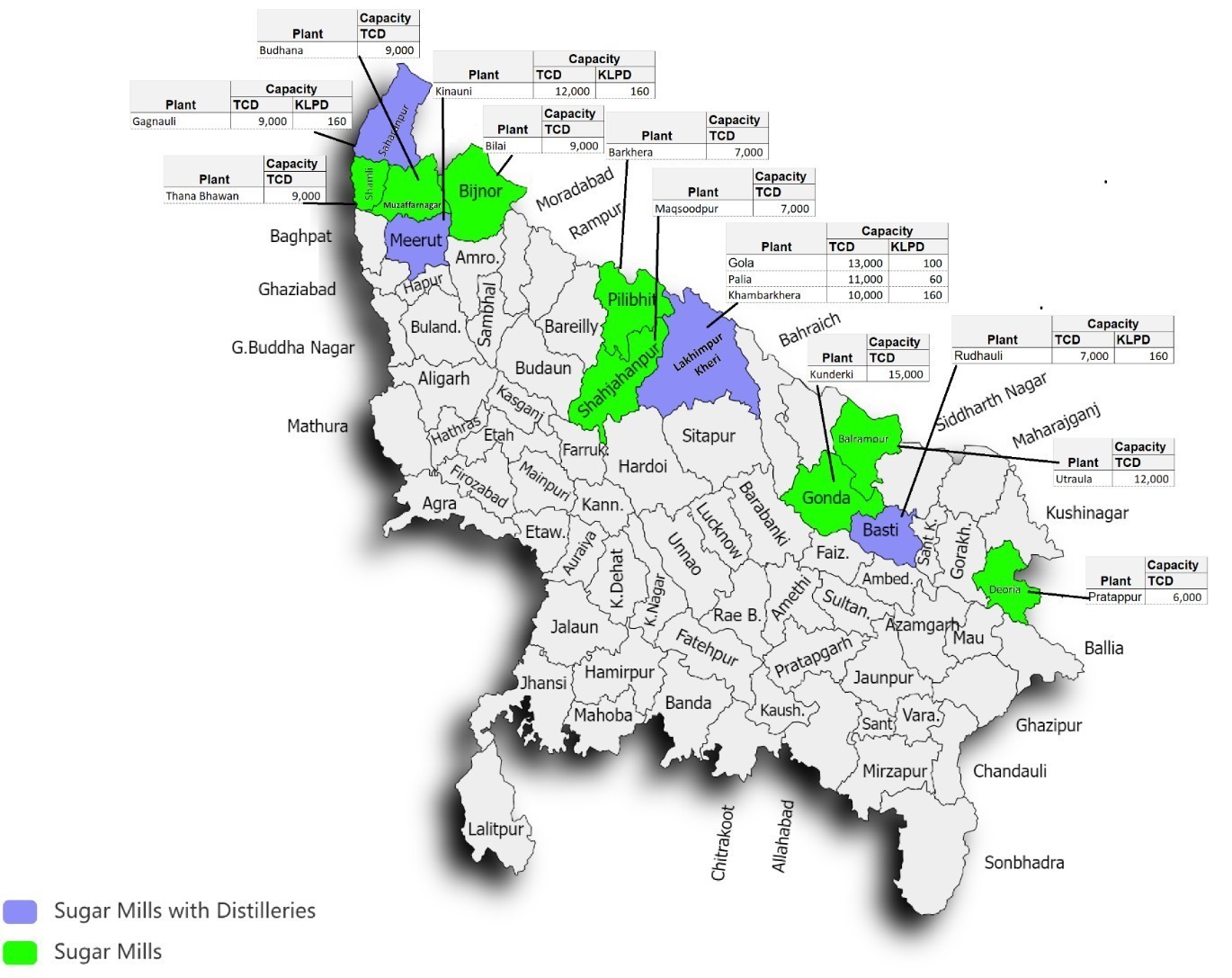
1. **14 sugar mills:** Sugarcane crushing capacity of 1,36,000 TCD which is largest in the country
2. **6 industrial alcohol/ ethanol distilleries**: Distillation capacity of 800 KL per day, which is the largest in the country
3. **14 co-generation power plants**: Green power (bagasse based) generation capacity of 449 MW, out of which about 151 MW is exportable to Uttar Pradesh Power Corporation Limited

All the manufacturing facilities are spread across UP in east, central & west zones.

**The details of all 14 plants along with their capacities is presented below:**

| **Name of Plant** | **District** | **Sugar** | **Distillery** | **Co-generation** | |
| --- | --- | --- | --- | --- | --- |
| **TCD** | **KLPD** | **Capacity produced MW** | **Capacity Exported MW** |
| **Central UP** |  |  |  |  |  |
| Gola | Lakhimpur Kheri | 13,000 | 100 | 29 | - |
| Palia | Lakhimpur Kheri | 11,000 | 60 | 43 | 12 |
| Khambarkhera | Lakhimpur Kheri | 10,000 | 160 | 35 | 12 |
| Barkhera | Pilibhit | 7,000 | - | 34 | 12 |
| Maqsoodpur | Shahjahanpur | 7,000 | - | 28 | 12 |
| **West UP** |  |  |  |  |  |
| Kinauni | Meerut | 12,000 | 160 | 38 | 12 |
| Thana Bhawan | Muzaffarnagar | 9,000 | - | 34 | 12 |
| Budhana | Muzaffarnagar | 9,000 | - | 33 | 12 |
| Bilai | Bijnor | 9,000 | - | 24 | 12 |
| Gagnauli | Saharanpur | 9,000 | 160 | 25 | 12 |
| **East UP** |  |  |  |  |  |
| Pratappur | Deoria | 6,000 | - | 13 | - |
| Utraula | Balrampur | 12,000 | - | 37 | 13 |
| Kunderki | Gonda | 15,000 | - | 59 | 30 |
| Rudhauli | Basti | 7,000 | 160 | 17 | - |
| **Total** |  | **1,36,000** | **800** | **449** | **151** |

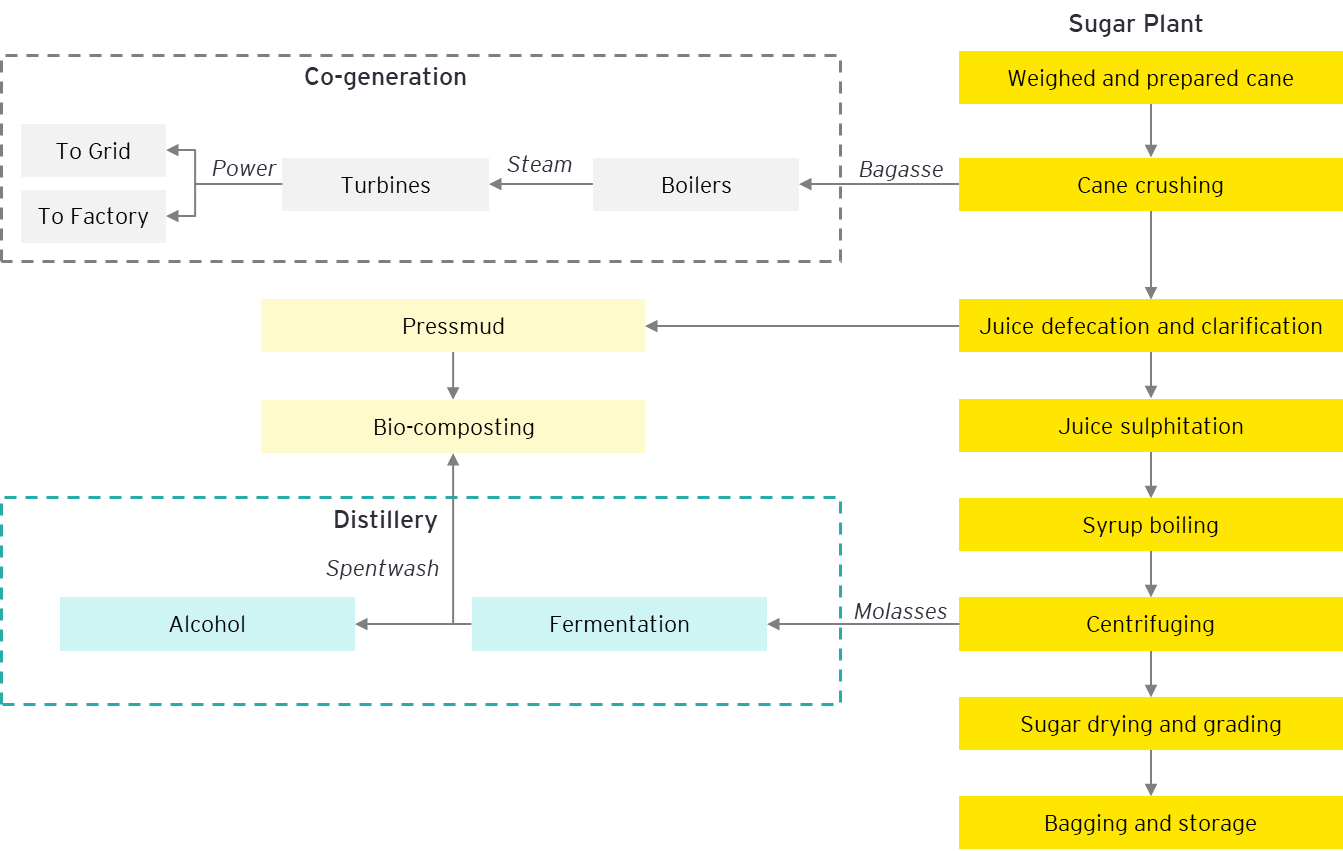
**A map showing the location of BHSL plants is as below:**



**BHSL enjoys various benefits due to presence of established procuring and manufacturing network:**

1. Multi-location facilities with proximity to sugar cane growing areas of UP provides abundant supply of sugarcane
2. Expedient crushing of sugarcane within a very short time of harvest ensures better recovery of sugar
3. Proximity of distilleries to the sugar mill reduces transportation costs (of molasses for alcohol manufacturing)

**The overview of the whole manufacturing process is as given below:**



* 1. Historical operational performance

The historical operational results of the Company for past few years are summarized below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Unit** | **FY19** | **FY20** | **FY21** | **FY22** |
| **Sugar unit** |  |  |  |  |  |
| Cane crushing | Lac Qtl | 1,676.16 | 1,584.60 | 1,560.34 | 1,258.92 |
| *Sugar recovery* | *%* | *11.40%* | *11.65%* | *11.06%* | *10.36%* |
| Sugar production | Lac Qtl | 191.01 | 184.35 | 173.78 | 128.59 |
| Units of sugar sold | Lac Qtl | 195.32 | 187.04 | 185.27 | 130.53 |
| **Distillery unit** |  |  |  |  |  |
| Molasses C consumed | Lac Qtl | 47.88 | 24.72 | 27.83 | 27.62 |
| Industrial alcohol produced from Molasses C | Lac BL | 1,077.24 | 572.21 | 615.68 | 591.42 |
| Molasses B consumed | Lac Qtl | - | - | 10.08 | 34.05 |
| Industrial alcohol produced from Molasses B | Lac BL | - | - | 293.35 | 1,014.39 |
| Industrial alcohol produced from Syrup | Lac BL | - | - | - | 126.80 |
| Units of industrial alcohol sold | Lac BL | 1,248.41 | 621.74 | 843.01 | 1,754.80 |
| **Power unit** |  |  |  |  |  |
| Units of power generated | Lakh kWh | 9,494.21 | 7,805.22 | 7,514.31 | 6,439.61 |
| Units of power available for sale | Lakh kWh | 3,389.00 | 2,179.40 | 1,866.64 | 1,459.67 |

**FY 2021**

* There has been reduction in sugar production in FY21 compared to previous years due to diversion of sugarcane for manufacturing of Ethanol through B heavy Molasses which reduced sugar production and helped in achieving higher production of Ethanol.
* This has also led to a fall in sugar recovery from 11.65% in FY20 to 11.06% in FY21.

**FY 2022**

* During FY22, there has been further reduction in cane crushed mainly due to delayed / inadequate supply of cane (driven by farmers’ agitation on account of delayed payment), lower crop yield as the crops were affected by “red rot & root rot” disease as well as untimely rainfall.
* Sugar recovery was lower by 0.67% in FY22 as compared to FY21 mainly due to diversion of sugarcane for manufacturing of Ethanol through B heavy Molasses and lower ‘pol in cane’ due to inclement weather conditions.
* Thus, decrease in sugar production was driven by lower volume of cane crushed coupled with lower recovery during FY22.
* There has been increase in ethanol / industrial alcohol production in FY22 by 822 lac BL.
  + The increase is mainly due to shifting the ethanol / industrial alcohol production from C molasses to B heavy molasses.
  + Additionally, the Company has incurred major maintenance expense on the distilleries during FY21 and FY22 so as to make them well equipped to function for 300-330 days to optimally utilize the installed capacity.
  + Increase in capacity utilization due to refurbishment of the distilleries has increased the production and sale of ethanol / industrial alcohol.
* Generation and sale of power during FY22 was impacted by inadequate supply of cane.
  1. Overview of the sugar manufacturing process
     1. Raw material – sugar cane

Sugar Season (SS) in India begins in October and ends in September of the following year. The availability of sugarcane is affected by weather conditions, Government regulations and amount of sugarcane crop planted by farmers.

In UP, the area under sugarcane sowing is well-irrigated on account of presence in the Gangetic river belt. As a result, the sugarcane crop in UP is relatively less dependent upon the vagaries of monsoons compared to other parts of the country.

**Procurement of sugarcane**

* Sugarcane is broadly classified into three varieties being early, general, and unapproved. The early variety has more sugar content than the general variety.
* Cane is sowed during February and October every year. The first seed growth is known as the plant and subsequent growth after harvesting from the stem is known as Ratoon.
* In India, according to Government regulations, every sugar mill is assigned a reserved area of at least 15 kms around the mill known as the command area within which any sugarcane grown is required to be supplied to the mill and the mill is obligated by law to crush the sugarcane which is grown within the reserved area.
* Every farmer within the command area of the Mill is provided with a calendar, which tells them when they can expect a Mill Supply Ticket (“Purchy”), against which they are required to deliver the sugarcane. Cane is accordingly harvested by them transported to the mill.
* Cane is also bought at the mill’s own centres within the command area. This cane is then transported in trucks or through rail to the mill.

Sugarcane is the key raw material accounting for around 65 - 70% of total sugar production cost of BHSL. BHSL procures sugarcane from farmers at gates and buying centres located at various locations. Historically, cane procurement at gate has ranged between 53% and 56% while at centre, it was between 44% and 47% as presented below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21** | **FY22** |
| Cane at gate | 55% | 56% | 55% | 54% | 54% | 53% | 53% |
| Cane at centre | 45% | 44% | 45% | 46% | 46% | 47% | 47% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

BHSL has been working towards improving cane quality and investing in cane variety development. This has resulted in improved sugar recovery for the Company from ~9.41% in FY15 to ~11.61% in FY20 as presented below:

From FY21 onwards, BHSL has started diverting sugar cane for producing B heavy molasses for manufacturing ethanol / industrial alcohol which has reduced sugar production. This has led to a fall in average sugar recovery rate from 11.61% to 11.06% in FY21 and to 10.36% in FY22. Additionally, the sugar recovery for FY22 was affected due to lower ‘pol in cane’ on account of inclement weather conditions.

**Pricing of sugarcane**

With the amendment of the Sugarcane (Control) Order, 1966 in 2009, the concept of Statutory Minimum Price (SMP) of sugarcane was replaced with the Fair and Remunerative Price (FRP) of sugarcane for SS 2010 and subsequent sugar seasons. The Central Government announces the cane price based on the recommendations of the Commission for Agricultural Costs and Prices (CACP) and in consultation with the State Governments and after taking feedback from associations of sugar industry. In order to ensure that higher sugar recoveries are adequately rewarded and considering variations amongst sugar mills, the FRP is linked to a basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from sugarcane.

The FRP of sugarcane from sugar season 2010 to 2022 are as follows:

| **Particulars** | **FRP**  ***(INR per quintal)*** | **Basic Recovery Level** |
| --- | --- | --- |
| SS 2010 | 129.84 | 9.5% |
| SS 2011 | 139.12 | 9.5% |
| SS 2012 | 145.00 | 9.5% |
| SS 2013 | 170.00 | 9.5% |
| SS 2014 | 210.00 | 9.5% |
| SS 2015 | 220.00 | 9.5% |
| SS 2016 | 230.00 | 9.5% |
| SS 2017 | 230.00 | 9.5% |
| SS 2018 | 255.00 | 9.5% |
| SS 2019 | 275.00 | 10.0% |
| SS 2020 | 275.00 | 10.0% |
| SS 2021 | 285.00 | 10.0% |
| SS 2022 | 290.00 | 10.0% |

However, State Governments have the power to fix the price of sugarcane as well called the State Advised Price (SAP). The advised or remunerative price shall always be higher than the minimum price in accordance with the provisions of the Sugarcane (Control) Order, 1966, issued under Section 16 of the Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) Act, 1953.

Following are the SAPs of the past sugarcane seasons:

| **Particulars** | **SAP *INR per quintal*** |
| --- | --- |
| SS 2012 | 250 |
| SS 2013 | 280 |
| SS 2014 | 280 |
| SS 2015 | 280 |
| SS 2016 | 280 |
| SS 2017 | 305 |
| SS 2018 | 315 |
| SS 2019 | 315 |
| SS 2020 | 315 |
| SS 2021 | 315 |
| SS 2022 | 340 |

As per the UP Sugarcane Purchase Act, 1953 payment to cane farmers is to be made within 15 days of receipt of sugarcane. UP Government (through the UP State legislative assembly) vide notification in the UP State Gazette on 27 December 2021 has duly amended the UP Sugarcane (Regulation of Supplies and Purchase) Act, 1953. This amendment, applicable to all sugar units in UP, empowers UP Government to adjust the dues payable to the sugarcane farmers from group companies having receivables from UP Government / UP State entities. Pursuant to the action taken, UP Government has already appropriated LPGCL’s part receivables from UPPCL to the extent of INR 1,000 Cr till 31 March 2022 for payment of cane dues.

* + 1. Production of sugar
* Cane is weighed using an electronic weigh bridge and unloaded into cane carriers. It is then prepared for milling by knives and shredders. Sugarcane juice is then extracted by pressing the prepared cane through mills. Each mill consists of three rollers.
* Extracted juice mixed with water is weighed and sent to the boiling house for further processing.
* Residual bagasse is sent to boilers for use as fuel for steam generation.
* This juice is heated and then treated with milk of lime and sulphur dioxide. The treated juice is then further heated and sent for clarification for continuous settling. The settled mud is filtered by vacuum filters and filtered juice is returned to be further processed while the Oliver cake is sent out.
* The clear juice is evaporated to a syrup stage, bleached by sulphur dioxide, and then sent to vacuum pans for further concentration and sugar grain formation. Crystals are developed to a desired size and the crystallized mass is then dropped in the crystallizers to exhaust the mother liquor of its sugar as much as possible. This is then centrifuged for separating the crystals from molasses. The molasses is re-boiled for further crystallization.
* Thus, the original syrup is de-sugarised progressively (normally three times) till finally, a viscous liquid is obtained from which sugar can no longer be recovered economically. This liquid, which is called final molasses, is sent to the distillery for making alcohol.
* The sugar which is separated from molasses in the centrifuge is then dried, bagged (50 Kg), weighed and sent to storage houses.
* Sugar is made in different sizes and accordingly classified into various grades i.e., large, medium, and small.

The Company regularly matches sugar produced with National Sugar Institute (NSI) Standards. The Company also maintains percentage retention of sugar above 85% as against minimum requirement of 70%.

**Cane crushing capacity utilization of BHSL**

BHSL operates in three regions of UP - Western UP, Central UP and Eastern UP. Plant-wise cane crushed, capacity utilization and sugar produced for all three regions for the past two years is presented below:

| **Particulars** | **Cane Crushed Lac Qtl.** | | **Capacity Utilisation %age** | | **Sugar Produced Lac Qtl.** | |
| --- | --- | --- | --- | --- | --- | --- |
| **FY 21** | **FY 22** | **FY 21** | **FY 22** | **FY 21** | **FY 22** |
| **Western Zone** |  |  |  |  |  |  |
| Kinauni | 187.52 | 179.16 | 80.55% | 80.70% | 22.12 | 20.53 |
| Thanabhawan | 155.78 | 129.38 | 82.03% | 81.68% | 16.82 | 13.04 |
| Budhana | 149.02 | 133.91 | 80.77% | 85.02% | 17.37 | 15.52 |
| Bilai | 151.34 | 131.77 | 81.63% | 81.79% | 18.67 | 16.04 |
| Gagnauli | 110.37 | 92.97 | 68.13% | 70.75% | 11.43 | 9.10 |
| **West zone sub-total (A)** | **754.03** | **667.19** | **78.99%** | **80.35%** | **86.40** | **74.23** |
| **Central Zone** |  |  |  |  |  |  |
| Gola | 194.31 | 137.44 | 87.92% | 75.52% | 21.19 | 12.68 |
| Palia | 143.22 | 95.01 | 81.38% | 81.48% | 15.80 | 8.78 |
| Khamberkhera | 127.82 | 86.51 | 75.64% | 76.56% | 13.02 | 8.32 |
| Barkhera | 105.94 | 88.21 | 90.63% | 89.37% | 12.46 | 8.85 |
| Maqsoodpur | 73.12 | 58.26 | 75.70% | 78.51% | 8.31 | 5.93 |
| **Central zone sub-total (B)** | **644.43** | **465.42** | **82.67%** | **79.63%** | **70.77** | **44.55** |
| **Eastern Zone** |  |  |  |  |  |  |
| Pratappur | 14.74 | 11.30 | 45.50% | 34.24% | 1.43 | 0.86 |
| Rudhauli | 19.91 | 18.08 | 44.44% | 29.69% | 1.46 | - |
| Utraula | 44.09 | 31.97 | 43.22% | 33.30% | 3.94 | 2.93 |
| Kunderki | 83.11 | 64.95 | 60.89% | 51.55% | 8.61 | 6.01 |
| **Eastern zone sub-total (C)** | **161.85** | **126.30** | **51.27%** | **39.98%** | **15.43** | **9.81** |
| **Total** | **1,560.31** | **1,258.92** | **76.12%** | **72.74%** | **172.60** | **128.59** |

Average plant capacity utilization was ~75% during past two years. However, it has varied for different zones. While capacity utilization of central and west zones was upwards of ~80%, that of east zone has averaged ~46% in the last two years. Management attributes the same to delay in payment of dues to cane farmers on account of which they either divert the sugar cane to other sugar mills in the vicinity or some farmers start growing alternate crops from sugar cane due to non-payment of cane price in time.

Currently, a major area of concern for BHSL is the ability to make timely payment to cane farmers which is affecting availability as well as quality of sugarcane. As of 31 March 2022, BHSL has net cane dues (net of stock) of ~INR 1,110 Cr.

* + 1. Pricing of sugar

The Company manufactures and sells sugar as below:

* Majority of the sales from sugar is generated domestically.
* While cane price is fixed by the state government, realizations from sugar sale are market-driven and are dependent on demand supply dynamics. This at times leads to mismatch between the cane price and sugar realization.
* To mitigate the said sugar price risk, from time-to-time, the Government recommends fixed Minimum Selling Price (MSP) of sugar. W.e.f. 7 June 2018, MSP for sugar has been revised from INR 29.0 per Kg to INR 31.0 per Kg w.e.f. 14 February 2019 below which no Sugar Mill can sell sugar in the market. Industry is pursuing for further increase in MSP.
* Currently, the Company has realized INR 32,011 per MT of sugar during FY21 and INR 34,121 per MT in FY22.
  + 1. Sale of sugar

Domestic sale of Sugar caters to 2 segments i.e., home consumption & institutional sales for purpose of making beverages, biscuits, confectionery, drugs, etc. Institutional buyers also take Sugar for the purpose of re-packing in small retail packs and sales / distribution through their own stores/ online channel.

Some of the Institutional buyers buying Sugar from the Company include M/s Varun Beverages, M/s Walmart India Pvt Ltd., M/s Wrigley India Pvt Ltd., M/s CreamicaFood Ind., M/s Bikaner, M/s Bikano, M/s Haldiram, M/s Hamdard, M/s Perfetti India, M/s Reliance Retail, etc.

The payment terms with the above-mentioned institutional buyers provide for almost 100% advance payment.

Sugar is invariably sold through nominated agents who further distribute it through brokers, whole-sellers, retailers for home consumption and in case of Institutional Sales through agent/ broker to end-buyers.

BHSL has its own set of nominated agents for different sugar mills and sugar is sold through these agents on commission basis.

The Company has 14 sugar mills which are spread across Western UP, Central UP and Eastern UP. Current markets in all the regions are as follows:

* **West UP**: There are 5 sugar mills in this region and the sugar produced by these mills in UP is sold in western UP and neighbouring states in northern India such as Punjab, Haryana, Rajasthan, and Delhi etc. Further, due to consistent higher sugar production in this region, sugar is sold to north eastern states as well such as West Bengal, Assam etc. where it is transported by rail.
* **Central UP**: There are 5 sugar mills in this region and the sugar produced in the Barkhera and Maqsoodapur mills is sold partly in Central UP and also in states such as Rajasthan, M.P., Gujarat, north east and at times in Haryana and Orissa. The sugar produced by Gola, Palia and Khambarkhera mills is sold in Central UP, East UP, Bihar, Bengal, Jharkhand, M.P. and north east.
* **East UP**: There are 4 sugar mills in this region and the sugar produced by the Company’s mills in UP East is sold in Eastern UP and states such as Bihar, Jharkhand, West Bengal, Assam and north east.
  1. Overview of the distillery production unit

The Company has six distilleries having capacity to produce 800 KLPD of industrial alcohol. Out of the six, five distilleries manufacture ethanol whereas distillery at Kinauni manufactures Extra Neutral Alcohol (ENA).

The manufacturing process of industrial alcohol / ethanol is presented below:

* Large volume storage tanks of molasses provide continuous supply of molasses and store the fresh molasses from sugar processing section during the fermentation process. The molasses from the tanks is diluted with water to obtain the sugar concentration around 10-15%. The acidic nature of molasses supports the growth of yeast during break up of sucrose, for that purpose acids are added to maintain the pH between 4 and 5. Continuous diluter equipment takes up this task.
* A yeast culture tank, which is provided with nutrition supply of ammonium and magnesium phosphate or sulphate, is used as nutrient to the yeast. The acidic condition favours the yeast to produce catalytic enzymes, invertase and zymase. Diluted and treated molasses and the yeast from storage are fed to the fermentation chamber. Modern fermentation tanks are made with stainless steel material provided with heating coils or jacket provision.
* The temperature of 20-30 degrees Celsius is maintained in the tanks by the heating and cooling system. The process of fermentation takes place around 30-70 hours based on the temperature and sugar concentration to yeast count. Final temperature 35 C is attained at the end of the process. During the fermentation process, microorganism yeast produces carbon dioxide as by-product.
* After the process cycle, the product liquid mixture is fed to beer still to perform distillation. Solid and slurry mass is separated leaving the solution of alcohol and water. The concentration of alcohol in the liquid mixture would be around 8-10%. A series of beer still work out to produce different quality of beer products. The slurry form of material obtained from bottom of beer still is called as slops. It is used for cattle feed and fertilizer after some waste treatment operations. However, the aldehydes are not allowed in consumable beer, so aldehydes present in the solution are removed by aldehyde column.
* The streams coming out at different section of the column are aldehydes from top, fuel oil and ethanol mixture from middle and bottom stream with water. The middle stream is fed to rectification column to produce a product called rectified spirit having 95% ethanol. Rectified spirit further made to absolute alcohol by anhydrous still using benzene as third component. Absolute alcohol with 100% ethanol concentration is a standard product used as intermediate for producing other chemical products and blending agent in power fuels.

Distillery wise production of ethanol / industrial alcohol for past two years is presented as follows:

| **Particulars** | **Ethanol Produced (Lac BL)** | |
| --- | --- | --- |
| **FY 21** | **FY 22** |
| **Western Zone** |  |  |
| Kinauni | 166.47 | 368.68 |
| Gagnauli | 265.94 | 450.18 |
| **West zone sub-total (A)** | **432.41** | **818.87** |
| **Central Zone** |  |  |
| Gola | 192.52 | 197.17 |
| Palia | 26.04 | 18.52 |
| Khamberkhera | 187.52 | 362.27 |
| **Central zone sub-total (B)** | **406.08** | **577.97** |
| **Eastern Zone** |  |  |
| Rudhauli | 70.54 | 335.77 |
| **Eastern zone sub-total (C)** | **70.54** | **335.77** |
| **Total (A+B+C)** | **909.04** | **1,732.60** |

**Industrial Alcohol**

The Company supplies Industrial Alcohol to other Alcohol based chemical manufacturers for the purpose of making chemicals like Ethyl Acetate, Glycols, drugs, etc. Such sale of Alcohol is direct sale in almost all cases.

Some of the prominent buyers of Industrial Alcohol are like M/s Jubilant Ingrevia Limited, M/s India Glycols Limited, M/s Nagindas Bhayani, M/s Ester India, etc.

The Company’s payment terms invariably are 100% advance before dispatch except credit given under certain market conditions.

**Ethanol**

Ethanol for blending purpose is sold to following public sector oil companies through EOI / tender route:

* + - 1. Indian Oil Corporation Limited
      2. Bharat Petroleum Corporation Limited
      3. Hindustan Petroleum Corporation Limited

The price and other commercial terms of Ethanol are decided by Government (Ministry of Petroleum & Natural Gas) on annual basis. Ethanol is also supplied to private companies such as Reliance/ Nayara which they procure either directly from BHSL or through traders. Payment terms as per tender are on 21 days credit from the date of receipt of material.

**Potable Alcohol**

Potable Alcohol is supplied to liquor manufacturers for the purpose of making Indian Made Foreign Liquor (IMFL)/ Country Liquor (CL) to various buyers in the country. Some of the prominent buyers include M/s Radico Khaitan Limited, M/s India Glycols Limited, M/s Mohan Meakins Limited, M/s Sir Shadi Lal Enterprises, M/s Wave Distillery, M/s Superior Distillery, etc.

In addition, the Company also exports (whenever commercially viable) potable Alcohol (Extra neutral Alcohol) subject to receipt of permissions from State excise.

* 1. Overview of the co-generation unit

**Introduction**

* Co-generation is the concept of producing two forms of energy from one fuel.
* In a conventional power plant, fuel is burnt in a boiler to generate high-pressure steam which is used to drive a turbine, which in turn drives an alternator through a steam turbine to produce electrical power. The exhaust steam is generally condensed to water which goes back to the boiler. As the low-pressure steam has a large quantum of heat which is lost in the process of condensing, the efficiency of conventional power plants is only around 35%.
* In a cogeneration plant, very high efficiency levels, in the range of 75%–90%, can be reached. This is because the low-pressure exhaust steam coming out of the turbine is not condensed but used for heating purposes in factories or houses.
* Since, sugar mills in India consume their own bagasse to run their mills during the season and generate steam to run the boilers and turbines; they generate power to run their plants. Surplus energy can be exported to the grid of distribution licensees.
* The Central Electricity Regulatory Commission (CERC) is the central body which regulates various aspects of generation and supply system at national levels. Besides CERC, there are State Regulatory Commissions in each State to deal with the aspect of tariff and regulation of generation, supply, and distribution of energy.

*Source: Website of Indian Sugar Mills Association (ISMA)*

**Co-generation unit at BHSL:**

* Green power (bagasse based) generation capacity of 449 MW, out of which about 151 MW is exportable to Uttar Pradesh Power Corporation Limited
* Power is generated through bagasse which is a fibrous residue of cane stalk that is obtained after crushing and extraction of juice. It consists of water, fibre, and relatively small quantities of soluble solids. The yield of bagasse varies from 27% - 29% based on the variety of sugarcane, maturity of cane, method of harvesting and the efficiency of the sugar mill.

Plant wise generation of power for the past two years is presented below:

| **Particulars** | **Power Generation (Lac kWh)** | |
| --- | --- | --- |
| **FY 21** | **FY 22** |
| **Western Zone** |  |  |
| Kinauni | 990.84 | 1,008.93 |
| Thanabhawan | 882.67 | 715.58 |
| Budhana | 670.12 | 700.19 |
| Bilai | 841.18 | 754.89 |
| Gagnauli | 418.35 | 457.57 |
| **West zone sub-total (A)** | **3,803.16** | **3,637.17** |
| **Central Zone** |  |  |
| Gola | 557.06 | 397.60 |
| Palia | 539.09 | 357.15 |
| Khamberkhera | 506.43 | 475.33 |
| Barkhera | 417.66 | 349.68 |
| Maqsoodpur | 385.99 | 287.21 |
| **Central zone sub-total (B)** | **2,406.23** | **1,866.97** |
| **Eastern Zone** |  |  |
| Pratappur | 48.97 | 41.93 |
| Rudhauli | 158.36 | 223.21 |
| Utraula | 454.69 | 203.60 |
| Kunderki | 642.90 | 466.73 |
| **Eastern zone sub-total (C)** | **1,304.92** | **935.48** |
| **Total** | **7,514.31** | **6,439.61** |

1. **Financial Snapshot**
   1. Extract of the profit and loss statement

Historical profitability of the Company at standalone level is presented below:

***Amount in INR Crores***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **FY19 (Audited)** | **FY20 (Audited)** | **FY21 (Audited)** | **FY22**  **(Audited)** |
| Revenue from operations |  |  |  |  |
| Sugar | 5,987 | 6,100 | 5,931 | 4,454 |
| Alcohol | 501 | 259 | 397 | 932 |
| Power | 174 | 69 | 59 | 46 |
| By products | 22 | 176 | 169 | 54 |
| Other Operating Income | 120 | 62 | 117 | 83 |
| Other income | 164 | 11 | 17 | 21 |
| **Total Income** | **6,967** | **6,677** | **6,688** | **5,590** |
| Expenses |  |  |  |  |
| Cost of raw material consumed | 5,659 | 5,363 | 5,297 | 4,610 |
| Inventory Changes | 106 | 60 | 193 | (210) |
| Employee benefits | 275 | 299 | 328 | 342 |
| Other expenses | 461 | 484 | 674 | 602 |
| **Total Expenses** | **6,501** | **6,207** | **6,493** | **5,344** |
| **EBITDA** | **467** | **470** | **196** | **246** |
| *EBITDA margin* | *6.70%* | *7.04%* | *2.93%* | *4.40%* |
| **Finance cost** | **322** | **301** | **263** | **254** |
| Depreciation | 211 | 216 | 215 | 215 |
| PBT | (66) | (108) | (283) | (222) |
| **PAT** | **(64)** | **(105)** | **(280)** | **(218)** |

**Revenue from operations**

The Company earns revenue from sale of sugar, ethanol/ industrial alcohol, power, and by-products such as molasses, bagasse, press mud and others. Sugar being the major source of revenue constituted ~80% of the total revenue while remaining 20% was contributed by sale of ethanol/ industrial alcohol, power and by products during FY22.

* Sugar segment contributed lower revenue during FY21 due to the following reasons:
* Diversion of sugarcane for manufacturing of ethanol / industrial alcohol through B heavy Molasses which reduced sugar production and helped in achieving higher production of Ethanol.
* Cane crushing capacity was underutilized due to diversion of sugarcane by cane farmers and lower allocation of cane area on account of high cane arrears.
* Sugar recovery for FY21 was 11.06% i.e., 0.59% lower than FY20. This was mainly impacted due to subdued cane development activities by BHSL on account of limited resources.
* Lower sugar realisation by INR 60 per quintal as compared to FY20
* Lower revenue from sugar segment was partly compensated by increase in sale of ethanol /industrial alcohol (221 lac KL) in FY21

The total income for FY22 was lower than FY21 by ~INR 1,098 Cr mainly due to lower sugar sales. The sugar sales were impacted due to the following reasons:

* Cane crushing capacity during FY22 was underutilised due to lower cane availability. Cane availability was mainly impacted due to delayed payments to the cane farmers which led to farmer agitation and demonstrations and, lower crop yield affected by red rot and root rot disease and untimely rainfall.
* Sugar recovery for FY22 was lower at 10.36% mainly on account of shifting from C molasses to B heavy molasses for ethanol / industrial alcohol production and lower pol in cane due to inclement weather conditions.

Ethanol / Industrial alcohol production and sale performance:

* As informed by the Management, some of the distilleries of BHSL were not operating to their optimum capacities during FY20 and FY21. These distilleries were undergoing major overhaul so as to operate for a higher number of days as the Central Government has allowed Ethanol production from B heavy molasses.
* The output of the Company’s distilleries was lower by ~47% in FY20 as compared to FY19. The output marginally increased in FY21 compared to FY20 due to ethanol / industrial alcohol production from B Molasses. However, total ethanol / industrial alcohol production was lower by 16% in FY21 in comparison to FY19.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Unit** | **FY19** | **FY20** | **FY21** | **FY22** |
| Industrial alcohol produced from Molasses C | Lac BL | 1,077.24 | 572.21 | 615.68 | 591.42 |
| Industrial alcohol produced from Molasses B | Lac BL | - | - | 293.35 | 1,014.39 |
| Industrial alcohol produced from Syrup | Lac BL | - | - | - | 126.80 |
| **Total Industrial alcohol produced** | **Lac BL** | **1,077.24** | **572.21** | **909.03** | **1,732.60** |
| **Industrial alcohol sold** | **Lac BL** | **1,248.41** | **621.74** | **843.01** | **1,754.80** |

* In FY21, the Company incurred repairs and maintenance and major overhaul to equip the distilleries for better capacity utilization and to enhance ethanol / industrial alcohol production. The Company incurred ~INR 199 Cr for major maintenance of sugar plants and distilleries in FY21 and ~INR 101 Cr in FY22.
* Consequently, there has been increase in production and sale of ethanol/ industrial alcohol during FY22 by ~90% as shown in the table above.

**Expenses**

* Increase in expenses in FY21 is mainly due to increase in other expenses which includes repair and maintenance expenses. The Company carried out major repairs and overhauling of equipment during FY21 and FY22. The increase in repairs and maintenance expenses in FY21 and FY22 were primarily on account of the following:
* **Major repairs of worn-out devices**: The Company had undertaken major repair works in its sugar plants and distillery units. Besides routine maintenance, the Company had to take up some thorough maintenance due to the aging of equipment. Additionally, with the advent of Government’s ethanol policy, there is increase in ethanol production from B heavy molasses for which distillery units have to be made well equipped.
* **Revamping of pollution control devices** to meet the compliances as suggested by the Government
* **Preventative maintenance:** The Company also took up preventive maintenance of sugar & distillery units to mitigate the possibility of sudden breakdowns and to be prepared for quick restoration in case any breakdown occurs to avoid major restoration cost.
* Since the Company is moving towards B heavy molasses route of ethanol / industrial alcohol production, the distilleries would be operating throughout the year (around 300-330 days in a year). Any breakdown in operation may impact the Company adversely. In order to mitigate the probability of any unscheduled breakdown / shutdowns, the Company has taken up major repairs work in some of the sugar plants and distilleries, especially targeting the critical equipment like boilers, turbines, mills etc. The worn-out spares were either restored or replaced based on in-house technical assessment.

***Amount in INR Crores***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **FY19** | **FY20** | **FY21** | **FY22** |
| Routine maintenance | 130 | 124 | 138 | 141 |
| Major maintenance | - | 34 | 199 | 101 |
| **Total** | **130** | **158** | **336** | **242** |

**EBITDA**

* Thus, as discussed above, the EBITDA for FY21 and FY22 was impacted on account of lower revenue and higher expenditure:
* The revenues in FY21 and FY22 were impacted on account of lower utilization of the cane crushing capacity due to lower cane availability, lower sugar recovery and realisation.
* Increase in expenses in FY21 and FY22 is mainly due to increase in repair and maintenance expenses on account of major overhauling of equipments in sugar plants and distilleries.
  1. Balance sheet

The historical balance sheet of the Company is presented below:

***Amount in INR Crores***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **For the period ended,** | **31 Mar 2019**  **(Audited)** | **31 Mar 2020 (Audited)** | **31 Mar 2021 (Audited)** | **31 Mar 2022 (Audited)** |
| Net Worth | 3,405 | 3,254 | 2,941 | 2,877 |
| Long term borrowings | 5,382 | 5,140 | 4,802 | 4,244 |
| Other Non-current liabilities | 705 | 713 | 708 | 620 |
| **Total Non-current liabilities (A)** | **6,087** | **5,852** | **5,511** | **4,863** |
| Trade Payables | 4,162 | 4,440 | 4,460 | 4,092 |
| Current maturities of long-term debt | 640 | 347 | 579 | 543 |
| Other current liabilities | 112 | 196 | 189 | 1,234 |
| **Total Current liabilities (B)** | **4,914** | **4,983** | **5,228** | **5,869** |
| **Total Equities and Liabilities (A + B)** | **14,406** | **14,089** | **13,679** | **13,610** |
|  |  |  |  |  |
| Fixed Assets & other non-current assets | 7,407 | 7,231 | 7,017 | 6,808 |
| Investment in Group companies and others | 251 | 192 | 140 | 92 |
| Others Non-Current Assets | 17 | 16 | 147 | 151 |
| **Total Non-Current Assets (C)** | **7,675** | **7,439** | **7,304** | **7,051** |
| Cash and Bank Balance | 60 | 111 | 63 | 47 |
| Trade Receivables | 206 | 173 | 219 | 214 |
| Loans and advances | 2,147 | 2,091 | 2,091 | 2,089 |
| Inventory | 2,765 | 2,711 | 2,541 | 2,746 |
| Current investments | 770 | 770 | 770 | 770 |
| Other Current Assets | 784 | 794 | 691 | 693 |
| **Total Current Assets (D)** | **6,731** | **6,651** | **6,374** | **6,559** |
| **Total Assets (C + D)** | **14,406** | **14,089** | **13,678** | **13,610** |

**Net Worth**

* Net Worth of the Company has deteriorated year on year due to continuous losses of past few years. Preferential issue of 14.38 Cr shares was made to the Promoters during FY21 by way of conversion of existing outstanding unsecured loan extended by the Promoters to the Company. The conversion took place at a price of INR 13.28/share amounting to ~INR 190 Cr in July 2021.

**Non-current liabilities**

* **Long term borrowings:** Company has a total debt of INR 4,787 Cr as on 31 March 2022 which comprises secured term loan of INR 1,295 Cr, secured optionally convertible debentures of INR 3,483 Cr and unsecured loan of INR 8 Cr. The current portion of debt of INR 543 Cr is classified under current liabilities as current maturities of term debt.
* **Other non-current liabilities** of ~INR 620 Cr primarily comprises ~INR 506 Cr of deferred tax liabilities.

**Current liabilities**

* Current liabilities of INR 5,869 Cr as 31 March 2022 primarily constitutes trade payables of INR 4,092 Cr Cane farmer dues included in trade payables amount to INR 3,741 Cr.
* Other current liabilities of INR 1,234 Cr includes INR 1,000 Cr received from UPPCL through Cane Commissioner, Uttar Pradesh, by operation of law, sugar selling commission, employee related dues, advance from customers, GST liability, current provisions etc. among other items.

**Investments and Loans and Advances in Associates and Subsidiaries**

* Company has made total investments of INR 862 Cr in Group companies of which INR 770 Cr is in LPGCL (classified as current) and INR 92 Cr is in Subsidiaries (classified as non-current).
* Company has given total loans and advances of INR 2,089 Cr (current asset) of which INR 1,643 Cr is extended to Group companies.

**Other Current assets**

* Other current assets of ~INR 693 Cr primarily include ~INR 592 Cr pertaining to claims filed for UP government’s Sugar promotion policy.
* The Company has filed for benefits as provided by UP Government under the Sugar Promotion Policy (SPP) introduced in 2004. The Company had filed all claims within the stipulated time as per the scheme. However, due to an abrupt withdrawal/ discontinuation of policy in the year 2007, residual benefits and grant of eligibility certificate has been held up.
* The total amount of benefits receivable under the scheme as on 31 March 2022 aggregates to INR 1,690 Cr. The detailed breakup of the amount is as under:

***Amount in INR Crores***

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Principal** | **Interest (up to Mar’ 22)** | **Total Amount** |
| BHSL | 657 | 598 | 1,255 |
| BHSIL (now merged into BHSL) | 244 | 191 | 435 |
| **Total** | **901** | **789** | **1,690** |

* Out of the above claim of ~INR 1,690 Cr, the Company has recognized claims of ~INR 592 Cr under current assets on conservative basis up to 31 March 2022. The status of claim filed under the said policy is further detailed out in Annexure 3.

**Contingent liabilities and commitments**

Following are the contingent liabilities and commitments are as follows:

|  |  |  |
| --- | --- | --- |
| **Contingent liabilities** | **FY21** | **FY22** |
| 1. In respect of disputed demands/claims against the Company not acknowledged as debts: |  |  |
| 1. Central excise matters | 11.29 | 12.16 |
| 1. Trade tax matters | 59.01 | 57.02 |
| 1. Recompense payable | 280.75 | 328.03 |
| 1. Other claims | 40.14 | 53.05 |
| 1. Income tax matters |  | 1.99 |
|  | **391.19** | **452.25** |
| 1. Securities furnished on behalf of subsidiary / associate Company | 661.25 | 661.25 |
| 1. Interest payable on promoter loan (not determinable) | **-** | - |
| 1. Premium payable on OCDs is of INR 1,784.12 Cr (as on 31 March 2022) from the date of allotment of OCDs till the year end |  |  |
| **Commitments** |  |  |
| Estimated amount for contracts remaining to be executed on capital account and not provided for (net of advances) | 0.22 | 1.03 |

* 1. External Credit Rating

The details of external credit rating of BHSL by CARE Ratings as on 24 December 2021 is as follows:

***Amount in INR Crores***

| **Facilities** | **Amount** | **Rating** | **Rating Action** |
| --- | --- | --- | --- |
| Long Term Bank Facilities | 5,811.75 | CARE D | Reaffirmed |
| Short Term Bank Facilities | 278.83 | CARE D | Reaffirmed |
| **Total Bank Facilities** | **6,090.58** |  |  |

As per the rating rationale dated 19 January 2021, there had been revision in the ratings assigned to the bank facilities of the Company on account of the following:

* Delays in debt servicing which were on account of the Company’s reduced liquidity position resulting from cash flow mismatches; and
* Weak financial risk profile due to lower-than-expected profitability in H1FY21, leveraged capital structure, substantial investment in group companies and cyclical and regulated nature of the sugar industry

However, the positive factors driving the credit rating include long track record of operations, experienced promoters, and multi-location manufacturing setup, BHSL’s diversified revenue profile which continues to provide alternate revenue streams and cushions against the cyclicality of the sugar business to a large extent.

The credit rating has been reaffirmed as CARE D as per the rating rationale dated 24 December 2021 due to poor liquidity position of the company to service the upcoming debt obligations along with surmounting cane dues which also need to be cleared in the near term.

1. **Sugar Industry**
   1. Market overview

Sugar industry is an important agricultural industry that impacts rural livelihood of about 50 million sugarcane farmers and around 0.5 million workers directly employed in sugar mills. Employment is also generated in various ancillary activities relating to transport, trade servicing of machinery and supply of agriculture inputs. This Year India is the largest producer of sugar in the world surpassing Brazil, the largest consumer and second largest exporter after Brazil.

Over last 4 years, sugar is diverted in the form Sugar syrup / B heavy Molasses for manufacturing of Ethanol to be used for blending with petrol at 10% level.

This year, Indian Sugar Industry’s annual output is worth approx. INR 110,000 Cr for Sugar and approx. INR 20,000 Cr for Ethanol. This year (2021-22) Sugar production is estimated at 35.5 – 36.0 Mn MT produced by 521 operating sugar Mills, which is all time high and makes India the largest sugar producer in World. Over and above, these is estimated to be diversion of 3.4 Mn MT of Sugar towards Ethanol this year.

*Source: xxx*

* 1. Global sugar market

After two consistent years of surplus sugar production during the **sugar season years (October – September) (SS)** 2018 and 2019, 2020 turned out to be deficit year owing to the lower production in all major sugar producing countries including India, Brazil and Thailand. Historical global sugar production levels are presented below:

***Amount in thousand Metric tonnes***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year (Oct-Sept)** | **Production** | **Import** | **Consumption** | **Export** | **End Stocks** |
| SS 2014 | 1,74,132 | 58,361 | 1,65,282 | 57,917 | 92,257 |
| SS 2015 | 1,69,373 | 58,259 | 1,66,888 | 58,270 | 94,731 |
| SS 2016 | 1,64,114 | 66,195 | 1,69,978 | 66,322 | 88,740 |
| SS 2017 | 1,69,080 | 64,730 | 1,72,691 | 64,989 | 84,870 |
| SS 2018 | 1,80,731 | 62,823 | 1,72,240 | 62,825 | 93,359 |
| SS 2019 | 1,76,118 | 57,927 | 1,74,308 | 58,011 | 95,169 |
| SS 2020 | 1,69,127 | 66,193 | 1,69,180 | 65,926 | 98,879 |
| SS 2021 (P) | 1,69,032 | 62,789 | 1,71,326 | 62,754 | 96,550 |
| SS 2022 (P) | 1,70,512 | 58,053 | 1,72,440 | 58,257 | 94,425 |

*Source: BSHL Annual Report FY21*

**Details of the Leading Sugar producers in the world**

Brazil historically has been the world’s largest sugar producer followed by India, China, and Thailand. However, during 2021-22, India has surpassed Brazil and has become the leading Sugar producer in World. Production levels for past three **sugar season years (October – September)** of world’s top 10 sugar producing countries is presented below:

***Figures in thousand Metric tonnes***

| **S. No.** | **Name of country** | **SS 2018** | **SS 2019** | **SS 2020** |
| --- | --- | --- | --- | --- |
| 1 | Brazil | 31,049 | 29,030 | 37,394 |
| 2 | India | 32,479 | 33,160 | 27,410 |
| 3 | China | 10,633 | 10,503 | 10,400 |
| 4 | Thailand | 14,674 | 14,441 | 8,284 |
| 5 | USA | 7,758 | 7,551 | 6,668 |
| 6 | Mexico | 6,010 | 6,426 | 5,278 |
| 7 | Pakistan | 5,652 | 5,552 | 5,190 |
| 8 | Australia | 4,729 | 4,102 | 4,102 |
| 9 | Germany | 4,595 | 3,825 | 3,977 |
| 10 | France | 5,219 | 5,060 | 4,699 |

*Source: BSHL Annual Report FY21*

* 1. Indian sugar industry

In the past 11 years, Indian sugar industry has produced sugar in excess of the domestic demand barring in the SS 2017. In the last four years, sugar production has exceeded 30 Million MT except SS 2020 wherein it was ~27.4 MMT.

**Sugar year: October 2019 to September 2020**

* During SS 2020, Sugar production remained low owing to decrease in production in Maharashtra and Karnataka. UP continues to remain consistent with its production and SS 2020 is the 4th year in a row when UP is estimated to produce more than 11 Million MT of Sugar.
* While increased sugar production has given better capacity utilisation to Industry, it has also created problem of excess sugar which also has a bearing on sugar prices.
* While Indian sugar trade had been grappling with the problem of surplus for quite some time now, however, over a period of time it has evolved into production of Ethanol which has become the buzzword. Industry is able to increase its ethanol production by diverting excess sugar for the ambitious bio-fuel program of Government of India and on the other hand it is also able to regulate its sugar production.
* Ethanol production in the country is poised to increase with the Government including damaged grains and rice as a source for production of ethanol and accordingly issuing pricing policy of ethanol. Government has issued a roadmap by floating ethanol tender for a period of 5 years during FY21 wherein quantity and price will be finalised every year.

**Details of top Indian sugar producing states**

UP is the largest sugar producing state in the country followed by Maharashtra, Karnataka, and Gujarat. Top three states i.e., UP, Maharashtra and Karnataka accounted for 84% of India’s total sugar production in SS 2021 increasing from ~81% in SS 2020. Historical production levels of top four states for past few years are presented below:

***Figures in Million Metric tonnes***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S. No.** | **State** | **SS 2015** | **SS 2016** | **SS 2017** | **SS 2018** | **SS 2019** | **SS 2020** | **SS 2021** |
| 1 | Uttar Pradesh | 7.1 | 6.8 | 8.8 | 12.1 | 11.8 | 12.6 | 11.0 |
| 2 | Maharashtra | 10.5 | 8.4 | 4.2 | 10.7 | 10.7 | 6.2 | 10.8 |
| 3 | Karnataka | 4.9 | 4.1 | 2.2 | 3.8 | 4.4 | 3.5 | 4.3 |
| 4 | Gujarat | 1.2 | 1.2 | 0.9 | 1.1 | 1.1 | 0.9 | 1.0 |

*Source: BSHL Annual Report FY21*

* **Sugar production in UP:** UP has consistently been producing sugar in excess of 11.0 Million MT in the last four years with production of ~12.6 million MT in SS 2020. This performance is despite the fact that every year the state is increasing its diversion of Sugar towards Ethanol and is now the largest Ethanol producer and supplier in country. The improvement is due to improved sugar recovery rates in UP.
* **Sugar production in Maharashtra:** While there was a decrease of ~50% in sugar production during SS 2017 due to critical draught in Maharashtra, it increased by ~155% in SS 2018 on account of favourable monsoons. Again after 2 years during SS 2020, there was a dip in production by 42% due to errant monsoons and during SS 2021 sugar production is estimated to increase by 75%.
* **Sugar production in Karnataka:** Karnataka is the 3rd largest sugar producer in the country and is also subject to fluctuation in sugar production as Maharashtra being the neighbouring state of Maharashtra working in similar conditions.
  1. BHSL’s market share in sugar industry

BHSL’s market share in UP has increased from 15.11% in SS 2017 to 15.35% in SS 2020. Similarly, BHSL’s market share in India has increased from 6.55% in SS 2017 to 7.08% in SS 2020.

The details of production levels along with the year-on-year trend is presented below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Unit** | **SS 2017** | **SS 2018** | **SS 2019** | **SS 2020** |
| BHSL Production | Million MT | 1.33 | 1.82 | 1.83 | 1.94 |
| UP Production | Million MT | 8.80 | 12.05 | 11.82 | 12.64 |
| All India Production | Million MT | 20.30 | 32.48 | 33.16 | 27.41 |
| BHSL % of UP | % | 15.11 | 15.10 | 15.48 | 15.35 |
| BHSL % of All India | % | 6.55 | 5.60 | 5.52 | 7.08 |

The sugar industry is cyclical in nature and is vulnerable to government policies for various reasons. Further, it is included in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations such as price fixation 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 affects the profitability of the sugar companies. Current FRP price and SAP price notified by UP Government are INR 290/quintal and INR 350/quintal respectively.

* 1. Competition in Sugar industry
* **Competition from other states:** Other than the mills in UP, BHSL has to face competition mainly from mills in Maharashtra, Karnataka, Gujarat, Andhra Pradesh, Tamil Nadu. For movement of sugar to neighbouring states like Punjab, Haryana, Bihar, UP mills face competition from mills in these states, as well. Sugar sales outside of UP is purely on the basis of the price parity with competing mills.
* **No competition from sugar imports this year**: as this year India is exporting Sugar in its biggest ever export campaign without any Government assistance and will be the 2nd largest exporter of Sugar in World. In fact, looking into increasing prospects of Sugar exports, Government on 24 May 2022 has decided by allow exports against specific permission so as to regulate and cap Sugar exports.
  1. Policy initiatives by the Government

**Sugar:**

While, Sugar had been decontrolled by the Central Government including levy obligation but in order to maintain Sugar prices and to ensure liquidity, improved cash flow Sugar and enable cane payments, Government from time to time come various controls in form of Minimum Selling Price (MSP), monthly release of Sugar, export assistance, buffer subsidy, soft loans, ethanol price, etc.

**Some of the key initiatives taken by the Government are mentioned below**

* **Promoting exports of sugar:** One of the ways out to handle the issue of surplus sugar was exports out of country, which Government has very successfully promoted over the Years in form of various export assistance and favourable process enabling the Industry to create new records every year.
* During Sugar Year 2019-20, country exported all time high Sugar quantity of 5.95 Mn MT. Very next year during 2020-21, country broke this record and exported a quantity of 7.19 Mn MT. Now to the surprise of trade across the Globe, country is poised to create another record by exporting a whopping quantity of 9.5 – 10.0 Mn MT.
* **Maintaining sugar price**: Due to high sugar production resulting in excess sugar supply in the market, sugar prices across the country started declining (and below the cost of production in certain cases). To arrest falling sugar prices, Government fixed minimum uniform selling price (MSP) of sugar at Mill level, across India.
* **Monthly Sales release mechanism:** Government imposed reverse stock limit on sugar mills to restrict supply of sugar in market so that sugar mills are able to realise MSP/ viable prices. To arrive at the figure of stocks which sugar mills were required to carry at the end of each month, sugar mills were given Monthly Sales Release Quantity above which sugar mills were not allowed to sell in the domestic market. The purpose of above order was to regulate supply of sugar in the market which was in excess supply due to consistent surplus production.
* **Discouraging sugar imports:** To avoid sugar imports owing to lower international sugar prices, the Government increased import duty on sugar. There has been no import of sugar in the last three years since FY19.
* **Ethanol-pricing/ feedstocks:** The Government is aggressively promoting ethanol as a fuel as it is a cleaner fuel (non-fossil biofuel), curbs vehicular pollution and also saves foreign exchange required for importing crude oil. The government has plans to increase ethanol blending percentage to 20% by the Ethanol Year 2024-25 would imply annual supply of 9.9 billion litres as against this year estimated supply of 4.0 billion litres.

In order to boost ethanol supplies from alternate feed stocks, Government is also pushing 2G ethanol which will be manufactured from cellulosic waste. Public Sector Oil companies are in process of setting up their own 2G ethanol plants for generation of ethanol for their requirement of blending with petrol.

* **Soft loans for ethanol:** During the period 2018–2021, Central Government has notified different interest subvention schemes for Sugar Mills and Distilleries for disbursement of soft loans for Ethanol projects.
* The Financial assistance has been in form of interest subvention @ 6% per annum or 50% of rate of interest charged by banks, whichever is lower, on the loans to be extended by banks for 5 years including one year moratorium.
* Government has recently on 22 April 2022 opened one more window of 6 months for the purpose of soft loans as above for project proponents having required land and Environment clearance for Distillery.
* Ethanol Distillation capacity:
* Ethanol distillation capacity of Molasses based distilleries was only 215 crore Litres prior to 2014. However, in past 7 years due to policy changes made by the Centre, the capacity of molasses-based Distilleries have increased by one and a half times and currently at 569 Cr Litres.
* Capacity of Grain based distilleries which were 206 Cr Litres in 2013 has increased to 280 Cr Litres.
* Total Ethanol production capacity in country has reached 849 Cr Litres.
* Total Alcohol requirement by 2025 including requirement of Ethanol for blending at 20% is estimated at 1,350 Cr Litres, for which Alcohol production capacities are required to be enhanced to about 1,700 Cr Litres and above such interest subvention schemes are helping in augmentation of capacities.
* **Amendment in UP Sugarcane Act, 1953:** UP Government (through the UP State legislative assembly) vide notification in the UP State Gazette on 27 December 2021 has duly amended the UP Sugarcane (Regulation of Supplies and Purchase) Act, 1953. This amendment, applicable to all sugar units in UP, empowers UP Government to adjust the dues payable to the sugarcane farmers from group companies having receivables from any Department of the State Government or from any Corporation or Board or any other institution constituted under any statutory rules,. Pursuant to the amendment in the Act, UP Government has already appropriated LPGCL’s part receivables from UPPCL to the extent of INR 1,000 Cr till 31 March 2022 for payment of cane dues.
  1. Ethanol Policy

**Ethanol policy**

* The Government of India has initiated policies to encourage the use of ethanol for blending with gasoline, to lower the dependence on crude oil imports. Ethanol production in India comes largely from molasses, a by-product of the sugar production process.

**History**

* Government started the pilot project in 2001.
* Government first launched a program to mandate the blending of 5% ethanol in gasoline in nine states and four UT’s in January 2003.
* Beginning November 2006, the Government extended this 5% mandatory blending policy to 20 states and 4 UT’s.
* Under Ethanol Blending Programme (EBP), the Government has scaled up the blending targets from 5% to 10%.
* Government targets to increase to 20% by Ethanol Year 2024-25, which shall improve India’s energy security and reduce its oil import bill.

* 1. Debt snapshot

The Company has outstanding fund-based debt of ~INR 4,866 Cr (including instalment due as on 31 March 2022 and overdue OCD coupon) and non-fund-based debt of ~INR 45 Cr as on 31 March 2022. State bank of India is the lead Lender with exposure of ~25.07%. Lender-wise and facility wise debt as on 31 March 2022 is presented below:

***Amount in INR Crores***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lender** | **WCTL-1** | **WCTL-2** | **TL-1** | **TL-3** | **Total Sustainable debt (A)** | **OCD (B)** | **O/S Interest on OCD (C)** | **Total FB debt (I=A+B+C)** | **NFB (II)\*\*** | **Total debt** | **% Share** |
| **(III= I+II)** |
| State Bank of India | 182.42 | - | 123.36 | 7.41 | **313.18** | 860.71 | 21.52 | 1,195.41 | 35.69 | 1,231.10 | 25.07% |
| Punjab National Bank\* | 197.15 | 35.33 | 44.74 | 7.67 | **284.89** | 798.42 | 19.96 | 1,103.27 | 9.29 | 1,112.56 | 22.66% |
| Indian Bank^ | 41.73 | - | 102.84 | 3.27 | **147.83** | 366.82 | 9.17 | 523.82 |  | 523.82 | 10.67% |
| Central Bank of India | 67.37 | 21.02 | 11.64 | 2.47 | **102.49** | 287.25 | 7.18 | 396.92 |  | 396.92 | 8.08% |
| Bank of Maharashtra | - | - | 103.45 | 2.19 | **105.64** | 261.76 | 6.54 | 373.94 |  | 373.94 | 7.61% |
| IDBI Bank | 53.5 | - | 38.01 | 2.24 | **93.75** | 255.46 | 6.39 | 355.6 |  | 355.6 | 7.24% |
| Canara Bank | - | - | 70.28 | 1.48 | **71.75** | 177.98 | 4.45 | 254.18 |  | 254.18 | 5.18% |
| Union Bank^^ | 26.8 | - | 13.88 | 1.09 | **41.78** | 138.99 | 3.47 | 184.24 |  | 184.24 | 3.75% |
| UCO Bank | 46.67 | - | - | - | **46.67** | 115.68 | 2.89 | 165.24 |  | 165.24 | 3.36% |
| Bank of Baroda | 20.62 | - | 14.46 | 0.78 | **35.86** | 88.86 | 2.22 | 126.94 |  | 126.94 | 2.58% |
| Indian Overseas Bank | 30.5 | - | - | 0.63 | **31.13** | 79.01 | 1.98 | 112.12 |  | 112.12 | 2.28% |
| Bank of India | - | - | 20.08 | 0.41 | **20.5** | 52.31 | 1.31 | 74.12 |  | 74.12 | 1.51% |
| **Total** | **666.76** | **56.35** | **542.72** | **29.65** | **1,295.48** | **3,483.25** | **87.08** | **4,865.81** | **44.98** | **4,910.79** | **100.00%** |

*\*Combined with OBC ^erstwhile Allahabad Bank ^^erstwhile Corporation Bank \*\*Utilised BG*

* The Company had undergone deep restructuring by way of Scheme for Sustainable Structuring of Stressed Assets (S4A) of RBI in December 2017.
* As per the implemented resolution under S4A scheme, total debt of the Company was INR 8,285 Cr which was split into sustainable debt of INR 4,789 Cr and unsustainable debt of INR 3,495 Cr.
* Against unsustainable debts, Optionally Convertible Debentures (OCDs) were issued to Lenders amounting to INR 3,483 Cr and Promoter shareholding (approx. 12 crore shares) were transferred to Lenders at INR 1 per share to settle the balance amount of INR 12 Cr of unsustainable debts.

# Annexure 1: Detailed shareholding pattern of BHSL

The detailed shareholding of BHSL as of 31 March 2022 is presented below:

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Number of Shares** | **Shareholding %** |
| **Promoters** |  |  |
| Mr. Kushagra Bajaj | 9,61,04,867 | 7.52% |
| Bajaj Resources Ltd | 8,79,71,924 | 6.89% |
| SKB Roop Commercial LLP | 6,05,92,279 | 4.74% |
| Bajaj International Realty Pvt. Ltd. | 2,77,77,484 | 2.17% |
| A N Bajaj Enterprises Private Limited | 1,83,07,954 | 1.43% |
| Mr. Shishirkumar Bajaj | 83,96,341 | 0.66% |
| Ms. Minakshi Bajaj | 42,54,556 | 0.33% |
| Other promoters | 1,53,38,017 | 1.20% |
| **Total Promoters (A)** | **31,87,43,422** | **24.95%** |
|  |  |  |
| **Banks (Public)** |  |  |
| Punjab National Bank | 4,13,758 | 0.03% |
| Indian Bank | 6,29,28,861 | 4.93% |
| Central Bank of India | 5,15,48,730 | 4.04% |
| Canara Bank | 4,24,18,366 | 3.32% |
| Indian Overseas Bank | 2,42,74,728 | 1.90% |
| Union Bank of India | 2,21,80,988 | 1.74% |
| UCO Bank | 2,10,67,013 | 1.65% |
| Bank of India | 71,70,905 | 0.56% |
| **Total Banks (public) (B)** | **23,20,03,349** | **18.16%** |
| **Other Public (C)** | **72,66,13,171** | **56.88%** |
| **Total (A+B+C)** | **1,27,73,59,942** | **100.00%** |

# Annexure 2: Brief profile of the Directors

A brief profile of the board of Directors is as follows:

* **Mr. Kushagra Bajaj** is the Promoter and Non-Executive Chairman of the Bajaj Group. He has completed his Master of Science degree in Marketing from the Northwestern University, Chicago, USA and has a Bachelor of Science (Hons.) degree in Economics, Political Philosophy and Finance from the Carnegie Mellon University, Pittsburgh, USA. He was the Chief Executive of the Company from August 2001 to April 2007 and was appointed as Joint Managing Director with effect from 2007. He was re-designated as the Vice Chairman and Joint Managing Director from 2011 and is responsible for overall operations of the Company. He has eighteen years of experience in sugar and FMCG industries with Bajaj Group. He was the Chairman & Managing Director of BHSL from October 2014 to August 2019. In accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding appointment of Non-executive Chairman not related to Managing Director or Chief Executive Officer, he relinquished the post of Managing director and was re-designated as Chairman (Non-Executive) of the Company from 14 August 2019.
* **Mr. Ajay Kumar Sharma**, Unit Head - Bilai Unit of the Company, is of about 55 years (DOB 02.10.1967) and has been working with us since 2016. In a career spanning over three decades, Mr. Sharma has worked extensively in the areas of cane procurement & development, liaising with farmers & government officials, supply chain management and operations. In his six years at BHSL, his expertise in the aforementioned areas have led to minimizing the “cut to crush” time which in turn led to significant improvements in the operational performance of the company’s Bilai unit. Also, during his tenure the said unit achieved highest ever recoveries during 2018-19, 2019-20 and 2020-21 seasons, and increased high sugar variety percentage cane from 25% to 98% which contributed to a tremendous growth in Pol percentage. Additionally, Mr. Sharma implemented a number of measures which helped optimize costs and brought increased agility in plant operations. With an M.Sc. in Agriculture and LLB, Mr. Sharma worked in a number of Sugar firms including Triveni Engineering Works, SBEC (Modi Group), RBNS Sugar, Mawana Sugar, and Modi Sugar before moving to BHSL.
* **Mr. D. K. Shukla** has a master’s degree in Social Work and a bachelor’s degree in Arts. He has been a member of BHSL Board since October 2001. Previously, he has served as a representative for the Life Insurance Corporation of India on BHSL Board until November 2008. He retired as an Executive Director of LIC in February 2003. During his tenure with LIC, he occupied positions like Regional Manager and was in charge of three LIC divisions. He was re-inducted in the BHSL Board from December 2008 as an Independent Director. Additionally, he is a member and Chairman of BHSL’s Audit Committee, Chairman of Nomination & Remuneration Committee and Chairman of Stakeholders Relationship Committee.
* **Ms. Shalu Bhandari** is a Company Secretary and proprietor of M/s. S.L. Bhandari & Associates, Practicing Company Secretaries operating in Mumbai since 2002. She has been a member of BHSL Board since September 2016. She has experience of providing services in the field of corporate law matters with a dedicated focus towards handholding entrepreneurs and corporates.
* **Mr. Atul H. Mehta** is a Corporate Law Advisor, BCom, B.G.L. and FCS, is practicing Company Secretary and promoter of Mehta & Mehta Company Secretaries, Mehta & Mehta Advisory Services Private Limited & Mangalam Placement Private Limited. He has been a member of BHSL board since January 2020. He has an experience of over 25 years in the field of corporate law, capital market and human resource. Previously he has held positions of Secretary of International Association of Company Secretaries, President of Institute of Company Secretaries All India (2015-16), Chairman of Western India Regional Council (WIRC) of Institute of Company Secretaries of India (ICSI) in 2009. He has also been elected as Secretary of CISA at Global Level, part of MCA Committee, member of RBI Restructuring Committee, member of Company Law Committee (6 members), Ministry of Corporate Affairs 2015. He is also member in the Institute of Directors (IOD).
* **Mr. Vinod C. Sampat** is a BCom (Hons.) and LLB. He is an advocate in the field of property related laws. He started his career as an individual practicing lawyer and has been a litigation lawyer since then. Currently, he is the proprietor of Sampat’s Law Firm. He advises corporates, multi- nationals, media houses, co-operative housing societies, eminent personalities of television and films in matters related to property. His expertise lies in co-operative housing societies, self-redevelopment, RERA, Consumer Protection Act, car parking, transfer of flats, recovery of dues etc. He has authored more than 100 books on Co-operative Societies, Transfer of Flat, Recovery of Dues, Registration and Stamp Duty, Car Parking, RERA etc. He has a team of specialists in the fields of Information Technology Laws, Negotiable Instruments Act, Criminal Law, Matrimonial Laws etc.
* **Mr. Ashok Mukand** has been appointed as a Director, nominated by State Bank of India, since September 2015. He joined SBI on 14 December 1970. Until his retirement on 31 May 2009, he had served SBI in various senior positions like CGM, LHO Kolkata and DMD & CFO, Corporate Centre, Mumbai.
* **Mr. Ramani Ranjan Mishra** aged 55 years is a professional banker having 30 years of experience in Operation, Credit, HRD, General Administration, Recovery, etc. Mr. Mishra is presently designated as Deputy General Manager, Punjab National Bank, ELCB, New Delhi. Mr. Mishra holds the degree of M.Com, CAIIB (IIB) PGDCA (IIT Kharagpur).

**WEAKNESSES**

* Risks pertaining to all plants being located in UP; including pricing, raw material availability and regulatory risks.
* Highly competitive market with competitors like Dalmia Sugar with keenly available substitutes in the market.
* Entry of new competitors inside the market who are more technologically advanced and the growth in sugar-free products can lead to a significant decline in the market and other sugar substitutes like jaggery, honey, etc.

**THREATS**

* Company may face legal action due to continuing fluctuations in different laws, e.g., BHSL will pay 15% interest per annum on the delayed payment of sugarcane farmers who sold their cane to its five sugar mills only.
* Climate change & Rainfall uncertainty impacts crop yield.
* Regulated Sugar Pricing.
* A shortage of skilled labor and farmers or some sudden uneven events at sugar farms such as fire, heavy rains, etc. threatens BHSL's continued earnings growth in the market.

**STRENGTHS**

* Indian sugar industry is the second largest producer of sugar in the world after Brazil & BHSL is one of India's largest sugar manufacturers.
* BHSL has dealers all over India which helps the business run smoothly in a food supply chain.
* Nine decades of experience and the Bajaj Group leading presence with diversified interests in sugar has led to the increasing growth of BHSL.
* BHSL’s portfolio also consists of products like co-gen. & ethanol. The vast portfolio of products helps BHSL to explore more revenue streams.

**OPPORTUNITIES**

* Higher crude oil prices which will increase the demand for Ethanol.
* New and emerging e-commerce industry.
* India is likely to witness increase in sugar exports.
* Switching to organic fuels like Ethanol.
* Economic recovery and rising consumer spending after the covid-19 lockdown, recession and slow industrial growth are opportunities for BHSL to attract new customers and increase market share.
* Growth of population is beneficial for BHSL as there will be an increase in the number of potential customers that it can target.