

July 8, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF HEMARUS TECHNOLOGIES LTD.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	224.00 (enhanced from Rs.164.00 cr)	'CARE BBB-' (Triple B Minus)	'Re- affirmed'
Total Facilities	224.00		

**Rating Rationale**

The rating continues to take into account the track record of HTL's promoters in the sugar industry, strategic location of the plant, integrated nature of the proposed sugar complex consisting of distillery and co-gen power plant apart from the sugar mill. The rating also takes into account the change in the scope of the project and the achievement of financial closure for the enhanced project cost. The rating is, however, constrained by the project implementation risk, regulated & cyclical nature of the sugar industry, the agro climatic risk faced by the industry and a moderate outlook on sugar prices in the near term. Timely completion of the project without any cost overrun and stabilisation of the operations in the first crushing season are the key rating sensitivities.

**Company Profile**

HTL was incorporated in January 2006 and is in process of setting up integrated Sugar Mill complex. HTL is setting up integrated facilities of Sugar Mill, Distillery and a cogeneration power plant at Rajgoli Kurd village, Changad taluk, Kolhapur Dist, Maharashtra.

HTL is promoted by Mr J S R Prasad and Dr.Jayaram Chigurupati. The company had initially planned to set up an integrated sugar mill complex with a sugar mill capacity of 3,500 Tonnes Crushed per Day (TCD), distillery capacity of 30 Kilo Litres Per Day (KLPD) and a co-generation power plant of capacity 20MW, to be executed at a cost of Rs.232 crore. The scope of the project has been enhanced to increase the sugar capacity to 5,000 TCD and distillery capacity to 45 KLPD. In addition, an additional boiler and turbo generator will be installed in the distillery unit using the entire spent wash as fuel. The increase in the scope of the project has been assessed to be carried out with a further investment of Rs.84.96 crore and is proposed to be completed within the same timeframe, as initially envisaged for the project.

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

The project is proposed to be financed at a debt-equity ratio of 2.3:1 in a revised cost of Rs.317 crore. The term lenders have sanctioned loans amounting to Rs.222 crore. The company has already drawn Rs.177 crore of loan as on February 8, 2010 and the total cost incurred on the project is Rs.259 crore. The promoters have brought in Rs.75 cr in the form of equity and unsecured loans from Directors and plan to infuse additional equity in proportion to the debt drawal.

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