Bharat Rasayan Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	149.00	CARE AA-; Stable	Reaffirmed
Short-term bank facilities	101.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Bharat Rasayan Limited (BRL) continues to derive strength from the long track record of promoters in the pesticides industry and group's integrated operations marked by their presence across the entire value chain of the agrochemical industry. Ratings also continue to draw strength from benefits emanating from the diversified product mix offered by the company including technical, formulations and intermediates, wide geographical presence and long-term association with reputed customers.

Ratings also continue to factor in the company's comfortable financial risk profile marked with robust capital structure and strong liquidity position in FY24 (refers to April 10 to March 31). Ratings also consider the gradual recovery in domestic demand scenario leading to improvement in revenue and profitability in H1FY25 (refers to April 01 to September 30) while exports continue to remain subdued owing to geo-political conditions. CARE Ratings Limited (CARE Ratings) expects with the destocking effect getting subsided and stability in prices, the profitability and revenue is expected to recover although to remain lower than fiscal 2022 and 2023 levels.

However, ratings strengths are partially offset by the company's exposure towards monsoon and climatic conditions, competitive agrochemical industry, foreign currency fluctuations and working capital intensive operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to enhance its scale of operations over ₹1,400 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 15% on a sustained basis.

Negative factors

- Significant increase in the working capital cycle on a sustained basis impacting BRL's liquidity profile.
- Sharp decline in revenue growth and fall in operating profitability margins below 10% on a sustained basis materially impacting cash generation.
- Deterioration in its capital structure with total debt/PBILDT beyond 1.5x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has revised the approach from standalone to consolidated factoring the linkages with joint venture 'Nissan Bharat Rasayan Private Limited' (30% holding of BRL) with strong operational and financial synergies. List of entities under consolidation given in Annexure-6.

Outlook: Stable

Stable outlook reflects CARE Ratings' opinion that the company will continue to maintain a comfortable business and financial risk profile with gradual pick-up in demand and prices. Moreover, the company's efforts towards new products and segments will further support its business profile.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters with long track record of operations in pesticides industry

BRL is a part of Bharat group; one of the leading manufacturers of technical grade pesticides in India and has been engaged in the operations of manufacturing and selling pesticides for over four decades. BRL is primarily managed by S N Gupta (Chairman and Managing Director) having vast experience in the fields of international business, overall marketing strategy and corporate

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

planning. M P Gupta (whole time director of BRL and director of BRAL) is a graduate in commerce and has over 39 years of relevant industry experience and looks after banking, finance, taxation, accounts and administration functions. Further, R P Gupta, whole of time director and CEO of BRL and director of BCAL, has three decades of experience in the agrochemical industry and looks after R&D, production and project execution activities. The company's promoters have also extended support in terms of financial assistant to working capital requirements of the company in the past. The group's directors are supported by a team of professionals with rich experience in varied spheres of business.

Integrated operations offering diversified product mix
BRL has a leading market position in many technical and intermediate products, including Lambda Cyhalothrin Technical, Metaphenoxy Benzaldehyde, Metribuzine Technical, Thiamethoxam (Insecticides) and Fipronil (Insecticides) among others and further added new products (Technicals) in the last year in the high-priced product category, including Prithiobac Sodium, Pyroxaslfone, and Thiophanate Methyl among others. Though there is a product concentration risk as BRL's top 10 products accounts for ~~70% of BRL's total sales in FY24 (FY23: 81%) and ~60% of BRL's total sales in H1FY25 (H1FY24: 66%).
BRL's portfolio primarily consists of products with LD values ranging from 51 to 5000. Additionally, the company is supported by a dedicated research and development (R&D) team that consistently works on developing innovative new products, ensuring a dynamic and evolving product lineup.

Technicals accounted for 59.7% of total sales in FY24 (PY: 79.94%), intermediates accounted for 34.84% (PY: 17.78%) and formulation grades accounted for 3.59% (PY: 1.22%). The group derives cost advantage from integrated operations through lower dependence on imports of technical, which is the key input for manufacturing formulations.

Long standing relationship with reputed customer base
The company supplies its products in local and overseas locations and has a long-standing relationship with reputed customers, including NISSEI Corporation, Syngenta Crop, Sumitomo Chemical Company Limited, Shanghai Agrotree Chemical Corporation Limited, and Rallis India Limited among others. BRL has 489 domestic registrations and 123 international registrations and has been exporting its products to over 24 countries across the globe.
However, BRL is exposed to moderate client concentration risk, as its top 10 customers accounted for ₹584.60 crore in FY24 (~55.19% total operating income [TOI]) compared to ₹793.84 crore 63.41% TOI in FY23.

BRL also has long established association with many reputed Japanese players and has 30:70 joint venture (JV) with Nissan Chemical Corporation (NCC), which started commercial production from March 2023 and has reported total income of ₹272.49 crore in FY24 and ₹199.35 crore in H1FY25 with profit after tax (PAT) margin of 19.09% and 13.89%, respectively.

Recovery in domestic demand in H1FY25 and strong financial risk profile
In FY24, BRL reported year-over-year degrowth of 15% in TOI to ₹1059.26 crore against ₹1251.92 crore in FY23, attributable to the industry wide weak demand and decline in prices as an impact of EL Nino and destocking from Chinese counterparts. The PBILDT margin also reduced by 470bps from 17.19% in FY23 to 12.5% in FY24 attributed to a 45% year-over-year decline in export sales from ₹680.34 crore in FY23 to ₹373.38 crore in FY24 and fall in prices, which typically yield higher margins.

However, in the first half of FY25, demand picked up in domestic markets considering above average rainfall in key crop areas thus boosting the sales. TOI in H1FY25 reported at ₹622.8 crore and the PBILDT margin also improved to 16.96% in H1FY25 (PY: 5.20%). Further, the restatement of Block D of Dahej plant has been completed in the month of February 2024 and is operating at full capacity now.

The company's capital structure remains robust marked by zero long-term debt, negligible working capital utilisation and healthy net worth base of ₹987.80 crore as on March 31, 2024 (PY: ₹893.21 crore), on a consolidated basis while the company's total debt stood low at ₹80.47 crore as on March 31, 2024. The overall gearing stood comfortably at 0.08x as on March 31, 2024 (PY: 0.04x) and other debt coverage indicators were also healthy including total debt to gross cash accruals (TD/GCA) and interest coverage ratio of 0.65x (PY: 0.25x) and 44.68x (PY: 38.81x), respectively. Further, BRL does not have major capex plans except routine capex and refurbishment for ₹60-70 crore annually.

Key weaknesses

Susceptibility of profitability and sales upon monsoon and climatic conditions
The pesticide/crop protection industry derives its sales from the agriculture sector which highly depends on monsoons and incidence of fungal/pest attack on crops. Major fluctuations in total rainfall and its distribution affect the crop and overall productivity and has a direct correlation with sales and profitability of the pesticides industry. However, the risk is partially mitigated through the company's wide geographical presence covering over 21 states in India and over 24 countries, which reduces the dependence on a particular crop and also minimises the adverse impact of unfavourable monsoon season or crop infection in specific state or region.

Exposure towards highly regulated and competitive agrochemical industry
The pesticides industry is marked by heavy fragmentation with the absence of key player having sizeable market share. The intense competition leads to competitive pricing and lower margins. Traditionally, Indian players have concentrated on marketing

generic and off-patent products with little expenditure on R&D, while MNCs have focused on developing patented molecules. The pesticides are regulated products and require prior registration with the relevant governing authorities in each country before they are allowed to be sold. Furthermore, the industry also faces regulatory risk due to prohibited usage of certain molecules. However, the risk is mitigated as BRL holds 489 domestic registrations and 123 international registrations of products including in technical grade and formulations.

Exposure towards foreign currency fluctuation risk
The Bharat Group is exposed to foreign currency fluctuation risk as BRL's total export sales constitute 36.13% of the company's total sales in FY24 (PY: ~55.98%). BRL is also importing raw materials for manufacturing technical grade pesticides, as ~58-60% of the total purchases is imported mainly from China (85% of total imports), Japan (12-14%) and balance from other countries. Furthermore, foreign exchange fluctuation risk is reduced partially considering natural hedge available in the form of export sales by the company. The company has booked a forex gain of ₹13.51 crore in FY24 (PY: ₹17.56 crore) considering favourable exchange rate fluctuation. However, the long-term relationship with reputed customers, wide geographical presence and quality of its products insulates the company from adverse demand-supply scenario in particular country or state.

Working capital intensive operations due to high inventory requirements and longer collection period
The pesticide industry requires high working capital investment due to high inventory holding and longer credit period on sales due to the commoditised products and seasonality factor. Average inventory holding remains at elevated level and stood ~116 days as on March 31, 2024, increased from 105 days as on March 31, 2023.

Further, providing extended credit is necessary to stimulate demand as the farmers are left with little surplus money for purchasing pesticides after having invested in seeds, and fertilisers, among others since pesticides are the last link in the agricultural operation. BRL generally extends credit of ~90 days-120 days to its customers reflected through average collection period of 125 days as on March 31, 2024, against 117 days as on March 31, 2023, whereas the company makes early payments to its suppliers for availing early payment discount from domestic suppliers and purchases on cash basis from foreign suppliers, resulting in average creditor period of ~29 days as on March 31, 2024 (PY: 24 days).

Liquidity: Strong
The company's liquidity is strong, marked by healthy GCAs close to ₹109.90 crore as on March 31, 2024 (PY: ₹156.43 crore), and ₹81.03 crore as on September 30, 2024 (H1FY24: ₹21.99 crore), against zero debt repayment obligations. The company's cash and cash equivalents stood at ₹32.43 crore as on March 31, 2024, which increased to ₹40.56 crore as on September 30, 2024. Further, the company also has investments in mutual funds of ₹92.20 crore as on March 31, 2024, largely held in the form of mutual funds and a bank balance of ₹16.18 crore in the form of lien marked FDs placed with the banks against LC/BG issued. As on September 30, 2024, the current investments stood at ₹125.30 crore, of which ₹60 crore is under bank obligation.

Its unutilised fund-based bank lines are more-than-adequate to meet its incremental working capital needs over the next one year as the average utilisation for the trailing 12 months ending October 2024 stood at only 1.58%. Furthermore, with a low gearing of 0.08x as on March 31, 2024, BRL has sufficient gearing headroom to raise additional debt for its capex needs, if any.

Environment, social, and governance (ESG) risks
Agro-chemical manufacturers have a high impact on environment primarily driven by high power consumption done in their manufacturing process. The sector also has a significant social impact because of its large workforce across its own operations and value chain partners, and due to its operations affecting local community and health hazards involved. Bhart Rasayan Limited has been focusing on mitigating its environmental and social risks.

Environmental: BRL being engaged in manufacturing agrochemicals generate bio hazardous waste and to reduce the adverse impact of this, the company has Effluent treatment plant, Multi effect evaporator, ATFD and Reverse osmosis plant. All the treated effluent is recycled back to process and cooling towers. The sludge/salt generated is disposed off at Pollution Control Board Approved Treatment, Storage and Disposal facility (TSDF). All effluents generated at plant are segregated in hazardous and non-hazardous categories and they are effectively treated, recycled and reused, wherever possible. Dedicated HAZ waste storage areas for organic, inorganic, contaminated plastic and liners, used oil, disposal process is through manifest generation and disposal to authorised disposer with appropriate MOU in place. Ensuring generated waste disposal before 90 days of its actual generation. In FY24, BRL sent 16146.618 MT hazardous waste to registered recyclers (GPCB Approved), and safely disposed 6470.195 MT in Landfill. Also, BRL has two dedicated R&D plant at Bahadurgarh, Haryana and Dahej, Gujarat certified by the Ministry of Science and Technology, who continuously develop new measures to minimise and recycle the waste and develop new products with less emissions and residues.

Social: The company also regularly organises the employee engagement programmes. The outcome of these programmes is submitted to the concerned heads and to the board of directors for their review, as required. BRL had spent ₹4.22 cores in FY24 (PY: ₹4.39 crore) towards CSR activities across states of India and focussed on disadvantaged, vulnerable and marginalised segments of the society through supporting rural children's education and promoting healthcare.

Governance: BRL has in place a well-structured corporate governance framework to operate more efficiently and to ensure the best interests of its stakeholders. The board of directors, as on March 31, 2024, comprises of 10 Directors, of whom five are Executive Directors and five are non-executive and independent directors (comprising one Women).

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Pesticides & Agrochemicals
Consolidation
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Fertilizers and agrochemicals	Pesticides and agrochemicals

BRL was incorporated in 1989 and is Bharat group's flagship company, which also comprises B R Agrotech Limited (rated CARE A+; Stable/CARE A1+) and Nissan Bharat Rasayan Private Limited (a 30:70 JV between BRL and Nissan Chemical Corporation). Promoters also hold 44% stake in erstwhile group entity Bharat Certis Agriscience Limited earlier known as Bharat Insecticides Limited. The group has presence in diverse product segments of agrochemical industry including insecticides, herbicides, fungicides, their formulations and intermediates and operates through its two manufacturing units at Mokhra (Haryana)- 5000 MTPA and Dahej (Gujarat)- 29,300 MTPA. BRL is among the leading manufacturers of technical grade pesticides in India and also has two Star Export house recognition from the government. The company caters over 24 countries including Japan, Switzerland, Singapore, Israel and USA among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1251.92	1059.37	622.8
PBILDT	215.16	132.43	105.65
PAT	124.61	95.51	66.95
Overall gearing (times)	0.04	0.08	Not Available
Interest coverage (times)	38.81	44.68	44.95

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	149.00	CARE AA-; Stable
Non-fund-based - ST-BG/LC		-	-	-	101.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	149.00	CARE AA-; Stable	1)CARE AA-; Stable (04-Apr-24)	1)CARE AA-; Stable (27-Dec-23)	1)CARE AA-; Stable (03-Jan-23) 2)CARE AA-; Stable (25-May-22)	1)CARE AA-; Stable (23-Dec-21) 2)CARE AA-; Stable (20-Dec-21)
2	Non-fund-based - ST-BG/LC	ST	101.00	CARE A1+	1)CARE A1+ (04-Apr-24)	1)CARE A1+ (27-Dec-23)	1)CARE A1+ (03-Jan-23) 2)CARE A1+ (25-May-22)	1)CARE A1+ (23-Dec-21) 2)CARE A1+ (20-Dec-21)
3	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)Withdrawn (04-Apr-24)	1)CARE A1+ (27-Dec-23)	1)CARE A1+ (03-Jan-23) 2)CARE A1+ (25-May-22)	1)CARE A1+ (23-Dec-21) 2)CARE A1+ (20-Dec-21)
4	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (04-Apr-24)	1)CARE A1+ (27-Dec-23)	1)CARE A1+ (03-Jan-23) 2)CARE A1+ (25-May-22)	1)CARE A1+ (23-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Nissan Bharat Private Limited	Proportionate	Operational and financial synergies

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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