

## BR Agrotech Limited

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	110.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	4.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of BR Agrotech Limited (BRAL) derives strength from long track record of its promoters operating in agrochemical industry and group's integrated business operations marked by its presence in the entire value chain. Ratings also continue to draw strength from benefits emanating from diversified product mix offered by the group, wide geographical presence and long-term association with reputed customers. Ratings also factor in the company's comfortable financial risk profile characterised by growing scale of operations, comfortable capital structure marked with miniscule debt outstanding and healthy liquidity buffer available with the company in the form of unutilised working capital limits.

However, ratings remain constrained 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

- Improving total operating income (TOI) by more than ₹1,200 crore with operating margins at 8% or more, while maintaining its comfortable leverage and debt coverage indicators on a sustained basis.

#### Negative factors

- Significantly increasing working capital cycle on a sustained basis.
- Deterioration in its capital structure with total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) above 2.50x on a sustained basis.

### Analytical approach: Standalone

The ratings however factor in the linkages with the group company Bharat Rasayan Limited (rated CARE AA-; Stable/ CARE A1+) owing to common promoters and strong business and operational linkages.

### Outlook: Stable

The Stable outlook reflects CARE Ratings' opinion of sustained improvement in operational and financial performances with gradual recovery in industry scenario, promoters' efforts to strengthen its business profile through entry in new products apart from benefits from strong operational and business linkages with flagship entity, BRL.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced and resourceful promoters with long track record of operations in agro-chemical industry

Being part of the Bharat group, BRAL benefits from the group's long track record of operations and experienced management. The Bharat group is one of the leading manufacturers of technical grade agro-chemicals in India and has been engaged in the operations of manufacturing and selling agro-chemical with promoter's experience spanning over four decades. S.N. Gupta, Chairman and Managing Director (MD) of BRL, is a postgraduate in economics and has vast experience in international business, overall marketing strategy and corporate planning. M.P. Gupta (Whole-time director of BRL and director of BRAL) is a graduate in commerce, with over four decades of relevant industry experience, and overlooks banking, finance, taxation, accounts, and administration functions. R.P. Gupta, whole-time director & CEO of BRL and director of Bharat Certis Agriscience Limited (BCAL) having over three decades of experience in the agrochemical industry, looks after research and development (R&D), production, and project execution activities. The group's directors are supported by a team of professionals with rich experience in varied spheres of business.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Integrated operations offering diversified product mix**

BRAL is primarily engaged in manufacturing of formulations and PET bottles. In FY24, income from formulations accounted for 71.08% (PY: 68.27%), sale of technical accounted for 23.10% (PY: 23.59%) and polyethylene terephthalate (PET) bottle sales accounted for 5.82% (PY: 8.14%) of its gross sales. A topline of ~35% comes from contract manufacturing and the balance is direct bulk sale to institutional customers. BR Agrotech has ~378 domestic registrations and 42 international registrations. BRL is majorly in the manufacturing of technical and the sales of technical of the company are made to group companies (BIL and BRAL) which use it as a raw material for the manufacturing of formulations. Further BRAL also re-sells technical however they carry a very lower margin of ~3%-4% on resale. The group derives cost advantage from the integrated operations through lower dependence on import of technical grades which is the key input for manufacturing of formulations.

### **Reputed client base with long-standing relation**

BRAL majorly supplies its product in the domestic market which accounted for ~99% of total sales of BRAL in FY24. The company is dealing with esteemed customers including Sumitomo Chemical India Limited, Rallis India Limited and Chambal Fertilizers and Chemicals Limited and exports to countries such as Egypt, Ethiopia, Iraq and the UAE. BRAL has ~2% of import dependency with 98% domestic raw material purchase in FY24. The group has a large institutional customer base in domestic and international markets with long-standing relationship and low client concentration risk. In the international market, the group has strong presence in East Asia, East Africa and the Middle East.

### **Comfortable financial risk profile with growing revenue**

In FY24 BRAL registered 9.73% growth in its topline on a y-o-y basis. Though there has been a decrease in the volume of formulations considering weaker demand due to increase in price of products and PET bottles sold by the company, as it has been manufacturing bigger size PET bottles against smaller ones earlier, introducing new high-priced products such as Pyroxasulfone 85% WG, TOLFENPYRAD 15% EC, Topramezone among others have led to an increase in the company's topline. This has further led to improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin from 5.91% in FY23 to 6.79% in FY24. The capital structure stood strong with no long-term debt as on March 31, 2024. The company's interest coverage for FY24 stood at 29.13x. In H1FY25 BRAL registered ₹692.31 crore (H1FY24:633.89 crore) of topline with PBILDT margin of 6.87%.

### **Key weaknesses**

#### **Exposure towards foreign currency fluctuation risk**

BRAL is exposed to foreign currency fluctuation risk, as the company imports technical grades for trading purpose. Since there is negligible export sales against this, there is no benefit from natural hedging. In FY24, the company did not hedge its foreign currency exposure though reported forex gain of ₹0.56 crore (PY: Loss of ₹0.35 crore).

#### **Susceptibility of profitability and sales upon monsoon and climatic conditions**

The agro-chemical industry derives its sales from the agriculture sector, which is highly dependent upon monsoons as well as incidences of fungal/pest attack on crops. The sales and profitability of the agro-chemical industry depends largely on prevalent agro-climatic conditions. However, BRAL has its presence spread across all states as well as in multiple markets (domestic and international), which reduces the group's dependence on climatic conditions of a particular region.

#### **Working capital intensive nature of operations due to high inventory requirements**

The agro-chemical industry requires high working capital investment due to high inventory and long credit period. The commoditised nature of products and seasonality factor (high-demand in crop sowing seasons) makes the group's operations highly working capital intensive. Around 60% sales for the whole year are done in the first half for the Bharat Group and most sales are done on a credit of ~90-120 days to its customers, resulting in high debtors in the first half of the year. This results in high working capital requirement by the group in first half of compared to second half of the year. Due to seasonal demand for agro-chemicals, the group is required to stack up variety of products as inventory in advance of the season, resulting in high inventory holding period, which is a common phenomenon across agro-chemical industry. This increases inventory holding cost. Since agro-chemical are the last link in the agricultural operation, after having invested in seeds, and fertilizers among others, farmers have little surplus money for purchasing agro-chemicals. Therefore, providing credit is necessary to stimulate demand. Also, although BRAL receives credit period of 90 days from its suppliers, however, the company makes early payments to its suppliers on account of early payment discount. Thus, due to such intrinsic nature of business, the group's working capital requirement continues to remain high.

In FY24, the company's operating cycle stood at 73 days (PY: 67 days). Creditor days was constant at 63 days in FY24. Total creditors stood at ₹155.17 crore (PY: ₹167.29) crore as on March 31, 2024. BRAL has a high collection period as it provides a credit period of 90-120 days to its domestic customers. Trade receivables of the company increased from ₹261.60 crore as on March 31, 2023, to ₹272.86 crore as on March 31, 2024, which is attributable to increased sale in FY24.

### **Liquidity: Strong**

The liquidity is marked by healthy cash accruals of over ₹50 crore in FY24 against nil debt repayment obligations. Its unutilised fund-based bank lines of over ₹100 crore are more-than-adequate to meet its incremental working capital needs in the next one year (average utilisation remained low ~22% for 12 months ending September 30, 2024, against sanctioned limit of ₹110.00

crore). With a low gearing, BRAL has sufficient gearing headroom to raise additional debt for its capex needs. The company does not have planned capex other than routine capex of ~₹10- 15 crore, which shall be met from internal accruals.

### 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](#)

[Short Term Instruments](#)

[Factoring Linkages Parent Sub JV Group](#)

### About the company and industry

#### Industry classification

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

BRAL was incorporated in February 2000 and is a part of the Bharat group, which comprises the flagship entity, BRL (rated 'CARE AA-; Stable/CARE A1+'). BRAL is engaged in manufacturing formulations and PET bottles at its plants in Kathua, J&K and Kala Amb, Himachal Pradesh, with a total installed capacity of 60,000 MT/KL per annum. BRAL is in contract (toll) manufacturing and caters to large institutional customers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	905.61	993.76	692.35
PBILDT	53.51	67.47	47.54
PAT	42.19	46.34	NA
Overall gearing (times)	0.01	0.00	NA
Interest coverage (times)	18.39	29.13	55.27

A: Audited UA: Unaudited NA: Not available; 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		-	-	-	110.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	4.00	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	110.00	CARE A+; Stable	-	1)CARE A+; Stable (12-Mar-24) 2)CARE A+; Stable (27-Dec-23)	1)CARE A+; Stable (03-Jan-23)	1)CARE A+; Stable (21-Dec-21)
2	Non-fund-based - ST-BG/LC	ST	4.00	CARE A1+	-	1)CARE A1+ (12-Mar-24) 2)CARE A1+ (27-Dec-23)	1)CARE A1+ (03-Jan-23)	1)CARE A1+ (21-Dec-21)

LT: Long term; ST: 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](#)

**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](mailto:care@careedge.in) for clarifications.

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### About us:

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