Bharat Rasayan Limited

May 25, 2022

Update on material event

Bharat Rasayan Limited (BRL) has intimated about the occurrence of a fire accident in one of its four blocks at its Dahej plant (Bharuch district, Gujarat; 12,000 MTPA) on May 17, 2022. As informed by the management, the company is in the process of identifying the reason for the fire and the expected loss of inventory and production. The estimated loss of production or the financial impact is, at present, not shared by the management as the process of ascertaining the same is underway. However, the plant and machinery, including the inventory and production loss, are completely insured. Also, as informed by the management, the production in other blocks of the plant is likely to start soon.
CARE Ratings Limited (CARE Ratings) has considered the said incident and will continue to closely monitor any development in this regard.

Detailed rationale and key rating drivers

The ratings of BRL continue to derive strength from the long track record of the promoters in the pesticides industry and its integrated operations, marked by its presence in the entire value chain of the pesticides. The ratings further factor in its wide marketing and distribution network with a large number of product registrations and its reputed customer base across the globe along with the comfortable financial risk profile of the company, characterised by its growing scale of operations in the past except for FY21 (refers to the period from April 01 to March 31), which was marred due to the disruption caused by the COVID-19 pandemic, strong capital structure, and healthy debt coverage indicators.
These rating strengths are, however, partially offset by its exposure to foreign currency fluctuation risk, the working capital-intensive nature of its operations, the highly regulated and competitive nature of the pesticides industry, and the vulnerability of the operations to agroclimatic conditions.

The previous press release is available on the following link: click here.

Liquidity analysis: Strong

The company is generating healthy cash accruals with no long-term debt outstanding and has strong liquidity. BRL operates in a highly working capital-intensive industry, marked by high inventory holding days and an elongated collection period. During the 12-months ending October 2021, the average working capital utilisation stood comfortable, at 27.03%, while the average maximum utilisation stood at 40.14%. BRL has been generating healthy cash accruals and has comfortable liquidity. The company has a free cash balance and liquid investments of around ₹6.93 crore as of September 30, 2021. This apart, the company has unutilised working capital limits of ₹192 crore as of May 18, 2022.

Analytical approach

Standalone

Applicable criteria

Criteria for assigning 'outlook' and 'credit watch'
CARE Ratings' policy on Default Recognition
Rating methodology – Manufacturing companies
CARE Ratings' methodology for short-term instruments
Liquidity analysis of non-financial sector entities
CARE Ratings' methodology for financial ratios (Non-financial sector)
Rating methodology for pesticide companies

About the company

BRL was incorporated in May 1989 by its current Chairman and Managing Director, SN Gupta, for manufacturing technical grade pesticides as a part of its backward integration. BRL is the flagship company of the Bharat group, which also comprises BR Agrotech Ltd (BRAL). BRL and BRAL have synergetic operations through integrated and interlinked business processes, with both the companies managed by the same management. BRL is engaged in the core business activities of manufacturing technical grade pesticides (a B2B segment), which is a key ingredient for formulations and used for captive consumption to some extent, whereas BRAL is engaged in value-added products of formulations and packaging (pet bottles). BRL commenced its operations by setting up a manufacturing plant with an installed capacity of 5,000 MTPA at Mokhra, Haryana, in 1989 and later increased its production capacity in 2012 by setting up a plant with an installed capacity of 12,000 MTPA at Dahej, Gujarat. BRL is one of the leading manufacturers of technical grade pesticides in India and is a government-recognised star export house. BRL has executed a joint venture (JV) agreement on February 18, 2020, with Nissan Chemical Corporation (NCC), a company incorporated in Japan. The JV will operate through Nissan Bharat Rasayan Private Limited (NBRPL), a company incorporated in India, in which BRL has a 30% share and NCC 70%. The total investment as per equity in this JV was ₹150 crore, which had to be done by both the sponsors in their shareholding proportion, and accordingly, BRL has provided all the equity of ₹45 crore out of its internal accruals in NBRPL. Nissan Chemical Corporation, a research-based company, is one of the largest manufacturers of agrochemicals in Japan, having global operations. The main rationale of NCC's investment was to diversify and secure sources of active ingredients and decrease material shortages risk.

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

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Ravleen Sethi
Phone: +91-11-4533 3237
E-mail: ravleen.sethi@careedge.in

Relationship contact
Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About CARE Ratings Limited:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions, backed by knowledge and assessment provided by the company.
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 had a pivotal role to play in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**