

January 12, 2016

## CARE REAFFIRMS THE RATINGS OF THE BANK FACILITIES AND ASSIGNS “CARE A1+” RATING TO THE CP ISSUE OF BHARAT RASAYAN LIMITED

### Ratings

| Facilities                                   | Amount<br>(Rs. crore)                                                                             | Ratings <sup>1</sup>         | Remarks    |
|----------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------|------------|
| Long-term Bank Facilities                    | 124.35                                                                                            | CARE AA-<br>(Double A Minus) | Reaffirmed |
| Short-term Bank Facilities                   | 70.00                                                                                             | CARE A1+<br>(A One [Plus])   | Reaffirmed |
| Short-term instruments<br>(Commercial Paper) | 20.00                                                                                             | CARE A1+<br>(A One [Plus])   | Assigned   |
| <b>Total Facilities</b>                      | <b>214.35</b><br><b>(Rupees Two Hundred and<br/>Fourteen crore and Thirty<br/>Five lakh only)</b> |                              |            |

CARE, while arriving at the rating of BRL, has taken combined view of the other group companies B.R Agrotech Ltd (BRAL) and Bharat Insecticides Ltd (BIL) due to integrated and interlinked business under the same management.

### Rating Rationale

The ratings assigned to the bank facilities of Bharat Rasyan Ltd (BRL) continues to take into account the integrated operations of the Bharat group with its presence in the entire value chain of the pesticide segment, long standing experience of the promoters in the pesticides industry and established track record of operations. The ratings further derive strength from the group's wide distribution network, established brands, extensive product portfolio, large number of product registration and comfortable financial risk profile of the group marked by comfortable capital structure, strong debt coverage indicators and healthy liquidity position.

However, these rating strengths are partially offset by the working capital intensive nature of operations, foreign currency fluctuation risks, regulatory risks, competitive and fragmented industry structure and high dependence on climatic conditions.

Going forward, sustainability of profitability, while increasing the scale of operations without any adverse impact on the capital structure and effective working capital management will remain the key rating sensitivities.

### Background

Bharat Rasayan Ltd. (BRL) was incorporated in May 1989 by the current Chairman and Managing Director, Mr S. N Gupta for manufacturing of technical grade pesticides. BRL is the flagship company of the Bharat group which comprises of BR Agrotech Ltd (BRAL) and Bharat Insecticides Ltd (BIL). The group has presence in diverse segments of the agrochemical industry with each group company focusing and specializing in a distinct segment. The group has synergetic operations through integrated and interlinked business processes of the group companies with all the companies being managed by the same management. BRL is engaged in the core business activities of manufacturing of technical grade pesticides (a B2B segment) which is a key ingredient for formulations and used for captive consumption to some extent, whereas the other group companies are engaged in valued added product of formulations (B2C segment) and packaging (Pet Bottles).

**Credit Risk Assessment**

BRL had a total income of Rs.439.62 crore with a PAT of Rs.31.75 crore in FY15 (refers to the period April 1 to March 31) as compared with the total income of Rs.362.35 crore and a PAT of Rs.20.15 crore in FY14. On a combined basis, the group reported PAT of Rs.88.34 crore on an operating income of Rs.847.84 crore during FY15 (as compared with PAT of Rs.67.69 crore on an operating income of Rs.731.07 crore during FY14)

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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