

MAY 02, 2016

CARE ASSIGNS 'CARE A1+' RATING TO THE COMMERCIAL PAPER ISSUE OF BHARAT RASAYAN LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Short-term Instruments* (Commercial Paper)	22.25	CARE A1+ [A One Plus]	Assigned
Total Facilities	22.25 (Rupees Twenty Two crore and Twenty Five lakh only)		

* Proposed to be carved out of the sanctioned working capital limits of the company

CARE, while arriving at the rating of Bharat Rasayan Limited (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 Rasayan Limited (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

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 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

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

extent, whereas the other group companies are engaged in valued added product of formulations (B2C segment) and packaging (Pet Bottles).

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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