

SEPTEMBER 27, 2016

CARE REAFFIRMS RATING ASSIGNED TO CP ISSUE OF BHARAT RASAYAN LIMITED

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Commercial Paper Issue	20	CARE A1+ (A One Plus)	Reaffirmed
Commercial Paper Issue#	25 (enhanced from Rs.22.25 crore)	CARE A1+ (A One Plus)	Reaffirmed
Total	45 (Rupees Forty Five crore only)		

#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 rating assigned to the commercial paper issue of Bharat Rasayan 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 rating further derives 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, the ability of the group to increase its scale of operations while sustaining its profitability without any adverse impact on the capital structure as well as to effectively manage its working capital cycle would 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 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).

During FY16 (refers to the period April 01 to March 31), BRL reported a total operating income of Rs.456.05 crore and PAT of Rs.33.88 crore as against total operating income of Rs.439.62 crore and PAT of Rs.31.75 crore during FY15. On a combined basis, Bharat group reported total operating income of Rs.863.79 crore and PAT of Rs.87.53 crore during FY16 as against total operating income of Rs.847.84 crore and PAT of Rs.88.34 crore during FY15.

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

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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.

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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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