

January 12, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF BHARAT INSECTICIDES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	20	CARE AA- (Double A Minus)	Reaffirmed
Short-term Bank Facilities	20	CARE A1+ (A One [Plus])	Reaffirmed
Total Facilities	40 (Rupees Forty crore only)		

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

Rating Rationale

The ratings assigned to the bank facilities of Bharat Insecticides Ltd (BIL) 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

BIL was incorporated in February 1985 for manufacturing of technical grade pesticides. The constitution was changed to closely held public company with the present name in 1985. Over the past years, the company has added various products in its portfolio which now includes wide range of insecticides, fungicides, weedicides and herbicides. The company has capacity of manufacturing 32,500 MTPA of formulations and technical grade pesticides of various kinds. BIL is a part of the Bharat group with Bharat Rasayan Ltd (rated 'CARE AA-/ CARE A1+') is the flagship company of the group which also comprises of BR Agrotech Ltd (BRAL). The group has a presence in diverse segments of the agrochemical industry with each group company focusing and specializing in a distinct segment. The group has synergistic 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 value-added product of formulations (B2C segment) and packaging (Pet Bottles).

BIL had a total income of Rs.303.88 crore with a PAT of Rs.33.08 crore in FY15 (refers to the period April 1 to March 31) as compared with the total income of Rs.269.23 crore and a PAT of Rs.31.37 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)

**Analyst Contact**

Name: Mr Gaurav Dixit

Tel: 011-45333235

Cell: 9717070079

Email: gaurav.dixit@careratings.com

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

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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.



CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaia Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU

Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH

Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR

Mr. Rakesh Jayaraman

304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 - 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA

Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691