Bharat Rasayan Limited

January 18, 2017

Ratings

Facilities	**Amount (Rs. Crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	106.32 (reduced from Rs.124.35 crore)	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed
Short-term Bank Facilities	40.00 (reduced from Rs.70.00 crore)	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**146.32 (Rupees One Hundred Forty Six crore and Thirty Two lakh only)**		
Commercial Paper Issue	20.00	**CARE A1+ (A One Plus)**	Reaffirmed
Commercial Paper Issue#	60.00 (enhanced from Rs.25.00 crore)	**CARE A1+ (A One Plus)**	Reaffirmed
Total	**80.00 (Rupees Eighty crore only)**		

Details of instruments/facilities in Annexure-1
#carved out of the sanctioned working capital limits of the company.

Detailed Rationale

The ratings assigned to the bank facilities and commercial paper issue of Bharat Rasayan Limited (BRL) continue to take into account long track record of the promoters in the pesticides industry spanning more than three decades, integrated operations of the group marked by its presence in the entire value chain of the pesticides and diversified product portfolio comprising of wide range of pesticides including insecticides, fungicides, herbicides, etc. The ratings further factor in wide distribution network with presence in both domestic as well as overseas market coupled with established brands and large number of product registration of the group and its comfortable financial risk profile marked by strong capital structure and debt coverage indicators. These rating strengths are, however, partially offset by working capital intensive nature of operations of the group, its exposure to foreign currency fluctuation owing to exports as well as exposure to regulatory risks since pesticides are regulated products. The ratings further take into consideration high dependence of the group's operations on climatic conditions since pesticide industry derives its sales from the agriculture sector which is highly dependent upon monsoons as well as presence of the group in a highly competitive and fragmented industry with the absence of any player having sizeable market share. Going forward, the ability of the group to increase its scale of operations while sustaining its profitability margins and capital structure as well as effectively manage its working capital cycle would remain the key rating sensitivities.

Detailed description of the key rating drivers

The group is one of the leading manufacturers of technical grade pesticides in India and has been engaged in manufacturing of pesticides for a long period with promoters' experience spanning more than three decades.

The group has integrated operations with presence in manufacturing of both technical grade pesticides as well as formulations. Furthermore, the group's product portfolio comprises of wide range of pesticides including insecticides, fungicides, herbicides, weedicides, intermediates and plant growth regulator (PGR) to cater to all the pest problems of major crops grown in India including paddy, cotton, soybean, sugarcane, wheat, groundnut, maize, cumin, etc.

The group has market leadership in many technical grade pesticides which include Clodinafop Propargyl (Herbicides), Lambda Cyhalothrin (Insecticides), Thiamethoxam (Insecticides) and Fipronil (Insecticides) among others for which the

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

group is a preferred supplier in the international markets. Bharat group holds more than 200 registered products in technical grade pesticides and formulations. The group has a network of approximately 3,500 dealers and 30,000 distributors for retail sales spread across the country and have 23 branches in all the operating states. Furthermore, the group has a large institutional customer base in both local and overseas market with long-standing relationship and low client concentration risk.

During FY16, Bharat group reported total combined operating income of Rs.864.31 crore as against total combined operating income of Rs.855.75 crore in FY15, registering y-o-y increase of around 1%. The PBILDT margin declined from 19.94% in FY15 to 19.36% in FY16 on account of increase in manufacturing expenses due to increase in sales volume as well as increase in selling and distribution expenses due to increase in cash discount offered on account of weak demand. Overall gearing remained at similar level at 0.32x (PY: 0.35x) as on March 31, 2016. Interest coverage ratio increased from 8.45x in FY15 to 10.69x in FY16 on account of lower interest expenses.

The commoditised nature of the products and seasonality factor (high demand during crop sowing seasons) makes the operations of the group highly working capital intensive. In FY16, collection period of Bharat group increased to 92 days from 79 days in FY15 on account of extension of credit to its customers due to weak monsoon in FY16.

The group is also selling its products in the overseas market. Export sales formed around 15% (PY: 17%) of the group's total combined gross sales in FY16. As such, profitability margins of the group remain susceptible to any adverse movement in the foreign currency.

Analytical approach: While arriving at the ratings of Bharat Rasayan Limited, CARE has taken a combined view of Bharat Rasayan Limited, B.R Agrotech Limited and Bharat Insecticides Limited due to integrated and interlinked business under the same management.

Applicable Criteria
[CARE's Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's methodology for Short-term Instruments]
[CARE's Criteria for Factoring Linkages in Ratings]
[CARE's methodology for manufacturing companies]
[Financial ratios – Non-Financial Sector]
[CARE's methodology for Pesticide sector]

About the Company
BRL (L24119DL1989PLC036264) was incorporated in May 1989 for manufacturing of technical grade pesticides. BRL is the flagship company of the Bharat group which is promoted by Mr S.N. Gupta, Mr M.P. Gupta, Mr R.P. Gupta and their family members. The group also includes BR Agrotech Ltd (BRAL, rated 'CARE AA-; Stable', 'CARE A1+') and Bharat Insecticides Ltd (BIL, rated 'CARE AA-; Stable', 'CARE A1+'). The group has presence in diverse segments of the agrochemical industry with each group company focusing and specializing in a distinct segment. 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 and packaging (Pet Bottles). The group has synergetic operations through integrated and interlinked business processes with all the companies being managed by the same management.

On a combined basis, Bharat group reported total operating income of Rs.864.31 crore and PAT of Rs.82.32 crore in FY16 (refers to the period April 01 to March 31) as compared with total operating income of Rs.855.75 crore and PAT of Rs.88.33 crore in FY15. Furthermore, during H1 FY17 (refers to the period April 01 to September 30), the group reported total operating income of Rs.646.78 crore and PBT of Rs.117.82 crore.

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified BRL as “Not cooperating” vide its press release dated July 25, 2016.
Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

Analyst Contact:
Name: Mr Gaurav Dixit
Tel: 011- 45333235
Cell: +91 9717070079
Email: gaurav.dixit@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	100.00	CARE AA-; Stable
Non-Fund Based - ST-BG/LC	-	-	-	40.00	CARE A1+
Fund Based - LT-Term Loan	-	-	March, 2017	6.32	CARE AA-; Stable
Commercial Paper	-	-	7 to 364 days	20.00	CARE A1+
Commercial Paper	-	-	7 to 364 days	60.00	CARE A1+

Annexure-2: Rating History of last three years

		Current Ratings			Chronology of Rating history			
Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	100.00	CARE AA-; Stable	-	1)CARE AA- (12-Jan-16)	1)CARE AA- (16-Jan-15)	-
2.	Non-Fund Based - ST-BG/LC	ST	40.00	CARE A1+	-	1)CARE A1+ (12-Jan-16)	1)CARE A1+ (16-Jan-15)	-
3.	Commercial Paper	ST	20.00	CARE A1+	1)CARE A1+ (27-Sep-16)	1)CARE A1+ (12-Jan-16)	-	-
4.	Commercial Paper	ST	60.00	CARE A1+	1)CARE A1+ (02-May-16) 2)CARE A1+ (27-Sep-16)	-	-	-
5.	Fund Based - LT-Term Loan	LT	6.32	CARE AA-; Stable				

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya 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. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
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. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@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.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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