

Press Release

Bhaskar Fertilisers Limited (BFPL)

17 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.14.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.14.00 crore bank facilities of Bhaskar Fertilisers Limited (BFL). The outlook is '**Stable**'.

The company was established in 2006 and is engaged in the manufacturing of fertilisers.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. C Vijaya Bhaskar, the promoter, possesses two decades of experience in the fertiliser industry.

Average financial risk profile: The average financial risk profile is marked by low gearing, high interest coverage ratio, high Net Cash Accruals to Total Debt (NCA/TD) and average debt protection measures. The debt equity is at 0.46 times and interest coverage at 4.29 times in FY2016. Moreover, NCA/TD is high at 0.20 times in FY2016.

Weaknesses:

Thin profit margins: The company's profit margins have been thin varying between 0.06 per cent and 0.12 per cent in the past three years ended FY2016.

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset days of 262 and inventory days of 163 in FY2016. While the debtors days are 108, the creditor days are high at 288 in FY2016.

Regulatory risks and unfavourable changes in policies: The fertiliser industry is highly regulated and profitability is impacted with unfavourable changes in government policies with regard to subsidy and pricing.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that BFL's outlook will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenue and profit margins while effectively managing its working capital. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability margins or deterioration in its working capital management.

About the Company

The Andhra Pradesh-based BFL was incorporated in 2006 by Mr C Vijaya Bhaskar. The company started off with trading in fertilisers and subsequently got into manufacturing from 2007 at Anantapur. The installed capacity stands at 350 MTPD for SSP and 400 MTPD for NPK.

For FY2015-16, BFL registered Profit After Tax (PAT) of Rs.0.02 crore on operating income of Rs.36.32 crore, as compared with PAT of Rs.0.05 crore on operating income of Rs.46.67 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.50	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.50	SMERA A4 (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	6.00	SMERA A4 (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	7.50	SMERA B/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.50	SMERA A4 (Assigned)
Letter of Credit	N.A	N.A	N.A	6.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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