

Press Release

Bhaskar Fertilisers Limited

October 29, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

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

BFL was incorporated as a private limited company in 2006 by Mr. C. Vijaya Bhaskar. The company is based at Anantapur district of Andhra Pradesh and is engaged in manufacturing of Single Super Phosphate (SSP) and Nitrogen-Phosphorus-Potassium (NPK) fertilizers with an installed capacity of 350 MTPA for SSP and 400 MTPA for NPK.

Analytical Approach

Acuité has considered standalone business and financial risk profile of BFL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter of the company has two decades of experience in the chemical fertilizer industry. Acuité believes that the company will be benefitted by the experienced management.

- **Average financial risk profile**

The financial risk profile of BFL has remained average marked by tangible net worth of Rs.6.31 crore as on 31 March, 2018 (Provisional) (PY: Rs.6.23 crore). The debt-equity ratio stood at 0.60 times as on 31 March, 2018 (Provisional) (PY: 0.73 times). The total debt of Rs.3.77 crore outstanding as on 31 March, 2018 (Provisional) comprises Rs.1.00 crore as unsecured loan from the promoter and Rs.2.77 crore as working capital borrowings from the bank. The interest coverage ratio (ICR) stood at 1.83 times in FY2018 (Provisional) as against 2.45 times in FY2017. The deterioration in ICR was on account of higher working capital requirements in FY2018 over FY2017 which has resulted in higher interest cost. The DSCR stood at 1.80 times in FY2018 (PY: 2.40 times). The net cash accruals stood at Rs.0.51 crore in FY2018 (Provisional) (PY: Rs.0.52 crore). The company has no long term debt obligation over the medium term.

Weaknesses

- **Uneven revenue trend with moderate profitability**

BFL has shown uneven revenue trend during the period FY2016 to FY2018 under the study. The operating income stood at Rs.12.31 crore in FY2018 (Provisional) as against Rs.8.10 crore in FY2017 and Rs.36.32 crore in FY2016. The decline in revenue was majorly on account of drought in the states of Andhra Pradesh, Karnataka and Telangana in FY2018 and FY2017. The company's 100 percent of the sales is being generated through these states. The company was not able to sell of its inventory for these two financial years. Further, the company has registered revenues of Rs.15.00 crore for the period April to September, 2018 and the targeted revenue for FY2019 is Rs.20.00 crore. The revenues of the company are highly dependent on the monsoon in the states of Andhra Pradesh, Karnataka and Telangana. The profitability margins of BPL have remained moderate during the period FY2016 to FY2018 under the study. The EBITDA margins stood at 9.45 percent for FY2018 (Provisional) (PY: 6.67 percent). The net profitability was supported by other non-operating income till FY2017, however, the

company reported operating profits in FY2018 (Provisional). The net profitability margins are thin at 0.69 percent in FY2018 (Provisional) as against 0.48 percent in FY2017.

• **Working capital intensity**

The working capital cycle of BFL is intensive marked by high Gross Current Assets (GCA) of 700 days in FY2018 (PY: 1204 days). The GCA days are majorly dominated by high inventory holding period of 414 days in FY2018 (Provisional) (PY: 696 days) and receivables of 287 days in FY2018 (Provisional) (PY: 412 days). The working capital cycle is further supported by stretched suppliers which moderates the working capital requirement. The suppliers are LC backed which ranges between 90 to 120 days. The average bank limit utilisation stood at 50 percent for the last six months ended August, 2018.

• **Susceptibility of the revenues to the agro-climatic conditions**

BFL is exposed to the agro climatic conditions like rainfall. The revenues of BFL are directly or indirectly dependent on monsoon. Thus, any adverse agro climatic condition may impact the credit profile of the company.

Outlook: Stable

Acuite believes that the outlook on BFL 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. The outlook may be revised to 'Negative' in case of lower-than-expected revenue and profitability margins, or deterioration in its working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.31	8.10	36.32
EBITDA	Rs. Cr.	1.16	0.54	0.59
PAT	Rs. Cr.	0.08	0.04	0.02
EBITDA Margin	(%)	9.45	6.67	1.63
PAT Margin	(%)	0.69	0.48	0.06
ROCE	(%)	7.09	4.35	3.07
Total Debt/Tangible Net Worth	Times	0.60	0.73	0.46
PBDIT/Interest	Times	1.83	2.45	5.68
Total Debt/PBDIT	Times	3.24	4.99	3.59
Gross Current Assets (Days)	Days	700	1204	288

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Mar-2018	Cash Credit	Long Term	7.50	ACUITE B Issuer not co-operating*
	Bank Guarantee	Short Term	0.50	ACUITE A4 Issuer not co-operating*
	Letter of Credit	Short Term	6.00	ACUITE A4 Issuer not co-operating*
17-Jan-2017	Cash Credit	Long Term	7.50	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Assigned)

*The issuer did not co-operate; based on best available information.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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