February 18, 2025

Basant Agro-Tech (India) Limited: Ratings downgraded to [ICRA]BBB (Stable)/ [ICRA]A3+ ; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	20.53	20.53	[ICRA]BBB downgraded from [ICRA]BBB+; outlook revised to Stable from Negative
Long term – Fund-based - Cash credit	117.00	117.00	[ICRA]BBB downgraded from [ICRA]BBB+; outlook revised to Stable from Negative
Short term - Non-fund based	91.00	91.00	[ICRA]A3+; downgraded from [ICRA]A2
Total	**228.53**	**228.53**	

**Instrument details are provided in Annexure I*

Rationale

The ratings for the bank lines of Basant Agro-Tech (India) Limited (BATIL/the company) have been revised because of a sustained moderation in the credit metrics of the company over FY2024 and 9M FY2025. The credit metrics were affected by moderate profitability in the fertiliser segment and the company is expected to report a modest improvement in the near to medium term as well. Hence, the overall credit profile is expected to remain subdued.

In FY2024, a sharp reduction in subsidy rates and weak economics on the sale of various phosphatic fertilisers, including single super phosphate (SSP, which is the main product of the company), brought about a significant moderation in the company's profitability and debt metrics, with the interest coverage ratio falling to 1.7x in FY2024 from 3.4x in FY2023. The modest performance continued in 9M FY2025 with an operating margin of around 5.9% (6.1% in FY2024) and interest coverage ratio of 1.8x in 9M FY2025 (1.7x in FY2024).

The input costs for manufacturing SSP have risen from December 2024 on the back of a sharp spike in sulphur prices which drive sulphuric acid price, and a sharp depreciation of the rupee against the US dollar. While the impact of currency depreciation and sulphuric acid price increase will be partly offset by the moderation in rock phosphate prices, the overall raw material costs are expected to rise in Q4 FY2025. As a result, the contribution margin on the sale of SSP is expected to moderate in Q4 FY2025, causing the profitability to remain largely in line with the FY2024 levels. Thus, the credit metrics will remain subdued in FY2025 with modest improvement expected in FY2026 and FY2027 as the company ramps up the sales volume of SSP and the seed segments.

The ratings continue to factor in the extensive experience of the promoters in the fertiliser segment, BATIL's presence across Maharashtra, Karnataka and Madhya Pradesh and its aim to expand to more districts. The ratings also factor in the presence of the company's plants at diversified locations, which gives it access to the consumer markets.

The ratings are constrained by the working capital-intensive nature of the operations, given the need to maintain a high level of inventory due to the seasonal nature of the business. Additionally, the company has been purchasing raw material on a cash-and-carry basis for rock phosphate which along with the lower level of customer advances has increased the working capital intensity (net working capital/operating income) to ~54.1% in FY2024 from 33.1% in FY2023.

The ratings are also constrained by the regulatory and agro-climatic risks associated with the fertiliser sector as the profitability remains susceptible to the subsidy rates announced by the GoI and also to the vagaries of the monsoon as agricultural activity in the country is largely dependent on rainfall. The company's seed segment is also exposed to the vagaries of the monsoon as the portfolio is focused on the kharif season. Its scale of operations and profitability are also vulnerable to agro-climatic conditions and adverse fluctuations in raw material prices and foreign exchange rates.

Credit strengths

Established presence in Maharashtra, Karnataka and Madhya Pradesh; extensive experience of promoters -The company is promoted by the Bhartia family, which has an extensive experience in the fertiliser and seed industries. BATIL has an established presence in Maharashtra, Madya Pradesh and Karnataka with its eight manufacturing facilities and an established network of dealers and distributors. The company's trademark fertiliser brand is Krishi Sanjivani.

Location advantage with plants in interior areas offering better access to consumer markets - BATIL's manufacturing plants are in interior areas - such as Kanheri (Maharashtra), Kaulkhed (Maharashtra), Jalgaon (Maharashtra), Sangli (Maharashtra), Hospet (Karnataka), Nagpur (Maharashtra) and Neemuch (Madhya Pradesh) -which ensures good rural coverage. The strategic location of the manufacturing plants also provides better access to the end-user markets, along with lower freight costs compared to competitors with plants in coastal areas. Moreover, two of the company's plants at Sangli and Hospet are near the Krishna and Tungabhadra rivers, respectively, which reduces the vulnerability of demand to the monsoons to some extent. Proximity to the demand centres also lowers the impact on profitability as the GoI does not provide freight subsidy on SSP sales.

Credit challenges

Working capital-intensive operations – The operations are highly dependent on short-term loans offered by banks for its working capital requirement. The trend of working capital intensity varies due to the seasonal nature of the business. Even though the working capital remained muted in Q4, the NWC/OI increased to 54.1% in FY2024 from 33.1% in FY2023, indicating increased dependence on working capital lines.

Profitability exposed to volatility in raw material prices and forex risk – Prices of key raw materials such as rock phosphate and sulphuric acid are linked to the global market and fluctuate with changes in international prices and foreign exchange rates. As BATIL needs to maintain adequate inventory due to the seasonal nature of the fertiliser and seed industries, the stocked inventory is exposed to inventory price risk caused by the volatility in raw material prices. Moreover, the raw material is largely imported and, thus, BATIL's profitability remains exposed to foreign exchange risks. This is further accentuated by the constraints in passing on the impact of currency depreciation to farmers through retail price hikes.

Operations exposed to regulatory and agro-climatic risks - BATIL operates in a highly regulated industry and the selling prices of its products depend on the subsidy allocated by the Government of India to various nutrients. The company's operations, thus, remain exposed to the sharp variations in the subsidy amount and delays in receiving the same, apart from any other regulatory intervention on product prices. Additionally, the agricultural activity in the country is dependent on the monsoon and the company's performance in the fertiliser and the seeds segment is closely linked to the vagaries of the monsoon.

Environmental and social risks

Environmental considerations - Global efforts towards decarbonisation and focus on the impact of fertiliser use on soil health may lead to the development of new types of fertilisers and lower the demand for conventional fertilisers. However, in India, ICRA does not expect any material impact on conventional fertiliser offtake in the near to medium term, given the country's import dependence as well as the time taken by the end consumers to accept new products.

Social considerations - Rising awareness about the use of chemical fertilisers in farming and the growing clamour for organic produce can impact fertiliser offtake. The productivity of organic farming remains low at present and, thus, the near-term risk for fertiliser offtake is low. Going forward, technological breakthroughs to develop organic alternatives with equal or better productivity can pose a significant threat to fertiliser offtake, although the threat remains long term in nature.

Liquidity position: Adequate

The company's liquidity is expected to remain adequate, going forward, supported by healthy cash flow from operations in FY2025 and cushion in fund-based limits with an average utilisation of ~73% during January 2024 to December 2024. The company receives customer advances to supply seeds and fertiliser for the upcoming season, which also supports its liquidity position. The company does not have any major capex plans and has modest debt repayments which it should be able to meet comfortably from the net cash accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company registers a significant increase in its scale of operations, while maintaining the profitability and efficiently managing the working capital cycle. The ratings may be upgraded if the company is able to maintain an interest coverage ratio of more than 3.5x on a sustained basis.

Negative factors – Any significant decline in the scale of operations along with a deterioration in profitability on a sustained basis could result in a downgrade. The ratings may be downgraded if there is an elongation of the working capital cycle and/or the company undertakes a large debt-funded capex that would moderate the credit profile and liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Fertilisers
Parent/Group support	Not Applicable
Consolidation/Standalone	Not applicable

About the company

Basant Agro-Tech (India) Limited (BATIL) manufactures and markets fertilisers, such as NPK (nitrogen, phosphorous, potash) compounds and SSP (single super phosphate), under the Krishi Sanjivani brand in Maharashtra, Madhya Pradesh, Karnataka and Andhra Pradesh. It is also engaged in the research and development, processing and marketing of ~130 varieties of traditional and hybrid seeds. BATIL set up its first plant in 1991 at Akola for producing NPK fertilisers.

At present, the company has one cold storage facility at Akola; three plants for NPK – at Akola & Sangli in Maharashtra and Hospet in Karnataka; three plants for SSP at Kanheri & Jalgaon in Maharashtra and Neemuch in Madhya Pradesh; two manufacturing plants for seeds at Akola and Nashik in Maharashtra. The combined installed capacity for producing NPK is 1,50,000 TPA. The current installed capacity for producing SSP is 3,39,000 TPA, after the company added a capacity of 1,32,000 TPA under SSP, post the purchase of a defunct plant in Jalgaon, Maharashtra, in FY2012.

The company is also engaged in the business of generating power through wind turbines and operating and maintaining warehousing and cold storage facilities. In FY2018, the company had started organic farming and has introduced products such as wheat grass powder, moringa leaf powder and barley grass powder, which they are selling through Patanjali and Amazon. Sales of the newly introduced products are low compared to the total turnover. In FY2021, the company had also started a LABSA manufacturing plant with an installed capacity of 22,000 MT.

The seeds division of BATIL is based out of Akola and produces traditional and hybrid seeds. It produces straight/hybrid seeds such as paddy, soya, cotton, wheat, jawar, sweetcorn, maize, etc., which have enhanced yields compared to normal seeds. The top three seeds produced are soya, paddy and cotton.

Key financial indicators (audited)

Company name (consolidated)	FY2023	FY2024	9M FY2025*
Operating income	549.3	404.8	330.2
PAT	18.4	4.0	3.0
OPBDIT/OI	6.5%	6.1%	5.9%
PAT/OI	3.3%	1.0%	0.9%
Total outside liabilities/Tangible net worth (times)	1.4	1.4	-
Total debt/OPBDIT (times)	3.5	6.3	-
Interest coverage (times)	3.4	1.7	1.8

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				Feb 14, 2025	Mar 08, 2024	Aug 11, 2023	Aug 02, 2022	Oct 20, 2021
1	Term loans	Long term	20.53	[ICRA]BBB(Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Cash credit	Long term	117.00	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
3	Non-fund based	Short term	91.00	[ICRA]A3+	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Term loan	Simple
Long term – Fund-based - Cash credit	Simple
Short term – Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long term – Fund based - Term loan 1**	May 2021	8.45%	FY2028	4.13	[ICRA]BBB+ (Stable)
NA	**Long term – Fund based - Term loan 2**	Aug 2019	9.40%	FY2026	3.30	[ICRA]BBB+ (Stable)
NA	**Long term – Fund based - Term loan 3**	Apr 2022	9.40%	FY2029	7.00	[ICRA]BBB+ (Stable)
NA	**Long term – Fund based - Term loan 4**	July 2022	9.40%	FY2030	6.10	[ICRA]BBB+ (Stable)
NA	**Long term – Fund based – Cash credit**	NA	NA	NA	117.00	[ICRA]BBB+ (Stable)
NA	**Short term – Non-fund based**	NA	NA	NA	91.00	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not applicable

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