

## Basant Agro-Tech (India) Limited

Instrument	Amount (Rs. crore)	Rating Action
Long-term loans	32.87	[ICRA]BBB (Stable) reaffirmed
Long-term, fund-based facilities	70.0	[ICRA]BBB (Stable) reaffirmed
Short-term, non-fund based facilities	50.0	[ICRA]A2 reaffirmed

Source: ICRA research

ICRA has re-affirmed the long-term rating of **[ICRA]BBB** (pronounced ICRA triple B) assigned to the Rs. 32.87 crore<sup>1</sup>, term-loans and Rs. 70.0 crore, fund-based limits of Basant Agro-Tech (India) Limited (BAIL or the company)<sup>2</sup>. ICRA has also reaffirmed the short-term rating assigned to the Rs. 50.0 crore, non-fund based facilities of BAIL at **[ICRA]A2** (pronounced ICRA A two). The outlook on the long-term rating is **Stable**.

The rating reaffirmations continue to favourably factor in the company's established presence in Maharashtra as a manufacturer of SSP (Single Super Phosphate) and mixture NPK (Nitrogen, Phosphorus, and Potassium) fertilisers, with five plants located in interior regions which provide better access to consumption markets. The company is also engaged in research and development, processing and marketing of hybrid and high-yield variety seeds. The diverse product mix helps mitigate the impact of demand fluctuation in any particular segment. The demand for SSP in India is expected to remain strong, given the sulphur deficiency in the soil, high price of substitute products like Di-ammonium Phosphate (DAP) and the government's thrust on promoting SSP, thereby benefitting SSP manufacturers such as BAIL. The ratings also favourably consider the long experience of the promoters in the fertilizer and seeds business.

The ratings remain constrained by the vulnerability of revenue and profitability of the company to agro-climatic conditions, as witnessed in FY2015 and FY2016; relatively low value addition involved in the manufacturing of NPK mixture fertilisers and intense competition in the segment, leading to lower overall profitability. The ratings are also constrained by the high working capital intensity, marked by higher debtor and inventory days in FY2016. Lower profitability resulted in weakening of coverage indicators in FY2016; however gearing remained moderate on account higher credit period from suppliers. ICRA also takes note of the company's exposure to foreign currency fluctuation risk on account of imports of its key raw material, Rock Phosphate, for manufacturing SSP, and absence of any natural hedge as well as lack of a formal hedging policy.

Going forward, operating profitability of the company would remain exposed to agro-climatic conditions, raw material price fluctuations and competitive pressures in the industry. Also, the company might incur capex on cold storage facility and a pilot water management project during FY2017, the details for which are yet to be finalised. The credit profile would remain sensitive to capex plans of the company and funding pattern for the same.

### About the Company

Promoted by the Bhartia group, BAIL 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 research and development, processing and marketing of ~50 varieties of hybrid and high-yield variety seeds. The company's facilities in Akola, Sangli and Jalgaon in Maharashtra, Hospet in Karnataka, and Neemuch in Madhya Pradesh, have a combined capacity to manufacture 150,000 tonnes per annum (tpa) of NPK granulated mixture, and 339,000 tpa of SSP. The company also has five wind mills through which it generates a small amount of revenues through sale of power.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.

**Recent results**

As per the unaudited financials for the three months ended June 30, 2016, the company reported a net profit of Rs. 2.5 crore on an operating income (OI) of Rs. 90.6 crore. As per the unaudited financials for the twelve months ended March 31, 2016, the company reported a net profit of Rs. 5.6 crore on an operating income (OI) of Rs. 317.8 crore, as against a net profit of Rs. 9.3 crore on an OI of Rs. 306.1 crore as per the audited financials for the twelve months ended March 31, 2015.

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