

## Press Release

### APL Crop Science Private Limited (APL)

March 31, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.5.00 Cr
<b>Long Term Rating</b>	SMERA B/Stable (Assigned)

\*Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.00 crore bank facilities of APL Crop Science Private Limited. The outlook is '**Stable**'.

The New Delhi-based APL Crop Science Private Limited (APL), was incorporated in 1983 by Mr. Neeraj Bhartiya and Mr. Vijay Pal Singh. The company is engaged in the trading of agro chemicals (pesticides) such as fungicide, weedicides, insecticides among others. The promoters have more than a decade of experience in the said line of business.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The promoters, Mr. Neeraj Bhartiya and Mr. Vijay Pal Singh have more than a decades experience in the agro-chemicals industry. SMERA expects APL to benefit substantially from its promoters' long standing relationship with various business stakeholders. APL is expected to leverage its promoters' experience by growing its clientele's geographical outreach over the near to medium term.

- **Prudent gearing**

APL reported a conservative gearing of 0.13 times on 31 March, 2016 while the company was debt-free as on 31 March, 2015. Going forward, while SMERA expects some moderation in its leverage levels, APL shall continue to reflect a prudent debt-to-equity ratio over the near to medium term.

##### Weaknesses

- **Modest scale of operations**

APL has small scale of operations at Rs.3.55 cr in FY2015 -16 against Rs.0.02 cr in the previous year. Though the company was incorporated in 1983, APL entered into its current business line in FY2012-13. On account of the highly fragmented and competitive nature of the agro-chemical industry, APL has faced challenges in scaling up its operations.

While SMERA expects APL to report a healthy growth in its operating income in the current financial year, the overall scale of operations shall continue to remain modest over the near to medium term. APL's ability to significantly scale up its operations while improving its profitability metrics shall be a key rating sensitivity factor.

#### • **Working capital intensive business**

APL is currently scaling up its operations which results in high working capital requirements. The company reported high gross current assets (GCA) days of 393 days in FY2016, due to significant accumulation of inventory in March, 2016. Consequently, the inventory days remained high at 221 days.

Further, given the highly competitive nature of the industry, APL is required to extend favourable credit periods to its customers - in both B2B and B2C segments. This in turn resulted in high debtor days of 166 days in FY2016. Sustained increase in working capital requirements of the company could adversely affect its overall liquidity position in the near to medium term.

#### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the company.

#### **Outlook: Stable**

SMERA believes that APL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

#### **About the Rated Entity - Key Financials**

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.08 cr on operating income of Rs.3.55 cr, as compared to losses of Rs.0.12 cr on operating income of Rs.0.02 cr in FY2014-15. The net worth stood at Rs.1.49 cr as on March 31, 2016 against Rs.1.40 cr a year earlier.

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

None

#### **Any other information**

None

#### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### **Note on complexity levels of the rated instrument**

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

#### **Rating History (Upto last three years)**

Not Applicable

**\*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	5.00	SMERA B/Stable

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**ABOUT SMERA**

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