

Press Release

Best Crop Science LLP

December 26, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 30.00 crore bank facilities of **BEST CROP SCIENCE LLP**. The outlook is '**Stable**'.

BEST CROP SCIENCE LLP. (BCSL) was incorporated in 2009 as a private limited company which was primarily engaged in the trading of agro chemicals. Later, in August 2015, the company was taken over by Mr. Vimal Kumar, Mrs. Vandana and Mr. Gaurav Sharma and was constituted into a partnership firm. The firm is engaged in the manufacturing of crop protection products including insecticides, herbicides, pesticides, fungicides, and plant nutrients. The firm procures its key raw materials from various suppliers across India and also imports from China. Further, the agro products are sold domestically under the brand 'Best'.

Key Rating Drivers

Strengths

- **Experienced promoters and long track of operations**

The promoters have an experience of over a decade in the agro industry. The second generation of the family has also joined the business.

- **Moderate financial riskprofile**

The financial risk profile of the group is marked by moderate networth, comfortable gearing and moderate debt protection measures. The networth levels of the group stood at ~Rs.37.25 crore on 31 March, 2017 as against Rs.22.84 crore as on 31 March, 2016. The net worth of the group includes unsecured loans of Rs.17.03 crore as on 31 March, 2017 as compared to Rs.13.97 crore in FY2016 which is from promoters and are subordinated to bank debt; hence SMERA has treated these loans as quasi equity. The gearing of the group stands healthy at 0.58 times as on 31 March, 2017 as compared to 1.21 times as on 31 March, 2016. The comfortable gearing is on account of moderate networth of Rs.37.25 crore as against the total debt of Rs.21.77 crore in FY2017. The total debt includes the term loan of Rs. 14.18 crore and cash credit of ~ Rs.7.59 crore. The interest coverage ratio (ICR) stood modest at 2.03 times in FY2017 as against 1.90 times in FY2016. The net cash accrual to total debt (NCA/TD) stands at 0.18 times in FY2017 as compared to 0.05 times in FY2016. The debt service coverage ratio (DSCR) stands at 1.28 times in FY2017 as against 1.23 times in FY2016.

Weaknesses

- **Margins susceptible to volatility in raw material prices**

The primary raw materials of the company are agro chemicals whose prices depict a fluctuating trend. The company's operating margins are susceptible to raw material price volatility.

- **Modest working capital cycle**

The working capital cycle of the group is marked by moderate gross current asset (GCA) days of 143 in FY2017 as compared to 149 in FY2016. The decline in GCA days in FY2017 is on account of moderate Inventory of 55 days and debtor days of 72.

- **Intense competition**

Agro chemicals are a highly competitive industry due to low entry barriers, resulting in intense competition from both, organized as well as unorganized players in the industry.

Analytical Approach

While assigning the rating, SMERA has consolidated the operational and financial risk profiles of Best Crop Science LLP (BCSL) and Best Agrochem Private Limited (BAPL). The consolidation is in view of common management, similar lines of business, as well as significant financial linkages. The group is herein referred to as Best Crop Group (BCG).

Outlook: Stable

SMERA believes the group will maintain a stable business risk profile in the medium term on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues and net cash accruals with an improvement in its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue or profitability or any further debt-funded capex being incurred, thereby weakening the financial risk profile.

About the Group

The group was established in 2007 with the incorporation of Best Agrochem Private Limited as the flagship entity. In 2009, the other entity Best Crop Science LLP was incorporated, which was later constituted into partnership firm. The group is promoted by Mr. Vimal Kumar, Mrs. Vandana and Mr. Gaurav Sharma who have a long experience of over a decade in the agro chemical industry. The group is engaged in manufacturing and trading of crop protection products which includes insecticides, herbicides, pesticides, fungicides, and plant nutrients.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	340.56	324.69	190.24
EBITDA	Rs. Cr.	4.11	3.82	2.77
PAT	Rs. Cr.	1.36	0.80	0.62
EBITDA Margin	(%)	1.21	1.18	1.46
PAT Margin	(%)	0.40	0.25	0.33
ROCE	(%)	16.04	21.08	42.36
Total Debt/Tangible Net Worth	Times	0.36	0.24	0.15
PBDIT/Interest	Times	2.41	1.89	2.08
Total Debt/PBDIT	Times	1.59	1.07	0.51
Gross Current Assets (Days)	Days	139	137	151

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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
Term loans	Not Applicable	Not Applicable	Not Applicable	12.65	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA BB / Stable

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ABOUT SMERA

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