

Press Release

Best Crop Science LLP

April 27, 2021



Rating assigned

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating to '**ACUITE BBB**' (read as ACUITE triple B) on the Rs. 28.00 Crore bank facilities of Best Crop Science LLP. The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned derives the significant improvement in profitability, healthy financial risk profile and strong interest coverage ratio. Although, the operating income of the company has declined from Rs.851.61 Crore in FY2019 to Rs.759.49 Crore in FY2020 due to covid-19 pandemic followed by nationwide lockdown. However, the performance of the group has improved in the current financial year even during the current COVID-19 period as the company have achieved a gross revenue of Rs.980 Crore as on 31st December, 2020. This was mainly due to an increase in demand for the products offered by the company. The EBITDA Margins have significantly improved to 5.00 percent for FY2020 as against 3.14 percent in FY2019. The PAT margin improved to 1.99 percent in FY2020 from 1.20 percent in FY2019. This is mainly due reduction in raw material cost and also due to start a manufacturing unit in Best crop science LLP. The net worth of the group stood high at Rs.144.85 Crore as on 31 March 2020 as against Rs.121.89 Crore as on 31 March 2019. The interest coverage ratio (ICR) stood strong at 3.29 times in FY2020 as against 2.79 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio improved to 0.24 times in FY2020 as against 0.14 times in FY2019.

About the Group

Best Agrolife Group is a Delhi based group which is engaged in the manufacturing and trading of agrochemical products such as insecticides, pesticides, herbicides, fungicides and plant nutrients. The group currently comprises of two entities i.e. Best Agrolife Limited and Best Crop Science LLP.

About the Company

Best Crop Science LLP is a partnership firm established in 2015. It is a part of Delhi based Best Agro Group and is engaged in manufacturing and trading of crop protection products such as pesticides, herbicides, insecticides etc. the firm started its operation in 2016. Currently firm have the capacity of 7, 50,000 litre per month.

About other group entity

Best Agrolife Limited is a public limited listed company incorporated in 1992. The company is engaged in the trading of agrochemical products such as insecticides, pesticides, herbicides, fungicides and plant nutrients. Company's crop protection chemical products are sold through distributors and co-marketing alliances with leading Indian companies throughout the country. They have distribution network with more than 3000 distributors and direct dealers and over 1500 retail points across the country with 14 stock points. Company also sell the products though their own brand name 'Best'.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Best Agrolife Limited and Best Crop Science LLP together known as Best Agro Group, to arrive at this rating. The consolidation is on account of common management, similar line of business, and operational linkages. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operation and experience management**

Mr. Vimal Kumar is the managing director and has vast experience in the agrochemical industry. He is ably supported by other directors who are professionally running the company. The group has a distribution network with more than 3000 distributors and direct dealers and over 1500 retail points across the country with 14 stock points which has enabled them to clock revenues of Rs. 759.49 crore in FY2020 as compared to Rs.851.61 crore in FY2019. Further, the group generated revenues of Rs. 980 crore during April-December, 2020

Acuité believes that the group will continue to benefit from its experienced management and long track record of operation in agrochemical industry.

- **Healthy financial risk profile**

Group's financial risk profile remained Healthy marked by strong net worth, strong gearing and strong debt protection metrics. The net worth of the group stood at Rs.144.85 Crore as on 31 March 2020 as against Rs.121.89 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years on account of healthy accretion to reserves during the same period. Net worth also includes unsecured loan amounted to Rs.36.75 Crore treated as quasi equity as the mentioned amount will not be withdrawn during the currency of the loan.

The gearing level (debt-equity) stood at 0.65 times as on 31 March 2020 as against 0.79 times as on 31 March 2019. The total debt of Rs.94.25 Crore as on 31 March 2020 consists of secured loan of Rs.26.21 Crore and working capital borrowings of Rs.68.04 Crore. The interest coverage ratio (ICR) stood high at 3.29 times in FY2020 as against 2.79 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.24 times in FY2020 as against 0.14 times in FY2019.

Acuité expects the financial risk profile of the group to remain healthy over the medium term on account of high net worth and strong debt protection metrics.

Weaknesses

- **Moderate working capital nature of operations**

The working capital management of the company is intensive in FY2020 marked by Gross Current Assets (GCA) of 190 days in FY2020 as against 189 days in FY2019. The inventory and debtor levels stood at 75 days and 99 days in FY2020 as against 62 and 100 days in FY2019, respectively. However, the same are supported by creditors of 81 days in FY2020 as against 129 days in FY2019. However, the average utilization of bank limits stood low at ~49 per cent in the last six months ending January 2021. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high inventory and debtor days.

- **Competitive and fragmented nature of operations**

The group is operating in competitive and fragmented nature of industry. There are several players engaged in the agrochemical industry in organized and unorganized sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings

Rating sensitivity

- Significant improvement in operating income and profitability
- Stretch in working capital cycle

Material Covenant

None

Liquidity position: Strong

The group has strong liquidity marked by high net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.22.53 Crore in FY2020 as against CPLTD of Rs.0.90 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.28 Crore to Rs.35 Crore during FY2021-23 against CPLTD of not more than Rs.6.00 Crore each year for the same period. Although, company's working capital operations are intensive marked by gross current asset (GCA) days of 190 days in FY2020. However due to strong liquidity position, the average utilization of bank limits stood low at ~49 per cent in the last six months ending January, 2021. Company maintains unencumbered cash and bank balances of Rs.13.66 Crore as on 31 March 2020. The current ratio stands at 1.26 times as on 31 March 2020. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes the group will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the group's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	759.49	851.61
PAT	Rs. Cr.	15.12	10.23
PAT Margin	(%)	1.99	1.20
Total Debt/Tangible Net Worth	Times	0.65	0.79
PBDIT/Interest	Times	3.29	2.79

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Criteria- <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Not applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Name of the Bank	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit*	Axis Bank	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE BBB/Stable (Assigned)

Term Loan	Axis Bank	Not Available	9.25%	31-03-2023	7.57	ACUITE BBB/Stable (Assigned)
Working Capital Term Loan	Axis Bank	Not Applicable	Not Applicable	Not Applicable	3.30	ACUITE BBB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0.63	ACUITE BBB/Stable (Assigned)

*Cash Credit facility is with 100% interchangeability to Non-fund based limit.

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About Acuité Ratings & Research:

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