

Press Release

Advance Cropcare (India) Private Limited

June 15, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.51 Cr.
Long Term Rating	ACUITE BB- / Outlook:Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.14.51 crore bank facilities of Advance Cropcare (India) Private Limited. The outlook is '**Stable**'.

ACPL is incorporated in 2007 and is engaged in the manufacturing of bio fertilizers, micro nutrients, fertilizers, herbicides, weedicides, insecticides, pesticides & bio pesticides and Zinc Sulphate (ZnSo₄) Unit. It has two manufacturing facility located in Indore (Madhya Pradesh).

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

ACPL incorporated in 2007, manufactures fertilizers, pesticides and insecticides. The company was promoted by Mr. Haricharan Tiwari who possesses over two decades of experience in the industry.

- **Moderate scale of revenues**

The revenue remained stagnant to Rs.70.56 crore in FY2018 (Provisional) from Rs.70.37 crore in FY2017. The EBITDA margins stood at 5.30 percent in FY2018 (Provisional) as against 5.11 percent in FY2017. The revenues improved as the company registered better yields on its products in 2017 due to a good monsoon. Acuité expects ACPL's scale of operations to improve over the medium term on the back of its ongoing capex plans to enter into new geographies.

Weaknesses

- **Working capital intensive operations**

ACPL operations are working capital intensive. The Gross Current Assets (GCA) stood at 251 days in FY2017 as against 297 days in FY2016. The average cash credit utilisation stood at 91.49 percent for the six months ended April 2018.

- **Regulatory risk**

The fertilizer industry is highly regulated with profitability largely dependent on government policies with regard to subsidy and pricing.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ACPL to arrive at the rating.

Outlook: Stable

Acuité believes that ACPL will maintain a 'Stable' outlook and continue to benefit over the medium term on account of the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability supported by healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or significant deterioration in the financial risk profile due to higher than expected debt-funded capex or working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.37	45.86	47.48
EBITDA	Rs. Cr.	3.60	3.81	3.57
PAT	Rs. Cr.	0.66	0.37	0.40
EBITDA Margin	(%)	5.11	8.30	7.51
PAT Margin	(%)	0.94	0.80	0.83
ROCE	(%)	8.41	9.63	19.28
Total Debt/Tangible Net Worth	Times	0.85	1.00	0.90
PBDIT/Interest	Times	1.90	1.81	1.83
Total Debt/PBDIT	Times	4.76	3.77	3.45
Gross Current Assets (Days)	Days	251	297	289

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.99	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

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About Acuité Ratings & Research:

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