

Press Release

Advance Cropcare (India) Private Limited

August 26, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 23.01 Cr. (Enhanced from Rs.14.51 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4 (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed 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.21.01 crore bank facilities and assigned the short term rating of '**ACUITE A4' (read as ACUITE A four)**' on the Rs.2.00 crore bank facilities of Advance Cropcare (India) Private Limited (ACPL). The outlook is '**Stable**'.

ACPL, incorporated in the year 2007, 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 (M.P).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the ACPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

ACPL incorporated in 2007 by Mr. Haricharan Tiwari and Mr. Ashish Tiwari. The promoters of the company have been engaged in the same industry for more than two decades. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers.

Moderate financial risk profile

The financial risk profile of the company is comfortable marked by moderate network, comfortable gearing and modest debt protection metrics. The net worth levels of the company stood at Rs. 23.60 crore as on 31 March, 2019 (Provisional) compared to Rs. 22.85 crore as on 31 March, 2018. The gearing stood at 0.74 times as on 31 March, 2019 (Provisional) as against 0.59 times as on 31 March, 2018. The total debt of Rs. 17.55 crore comprises term loan of Rs. 4.30 crore and working capital borrowing of Rs.13.26 crore as on 31 March, 2019 (Provisional). The interest coverage ratio (ICR) stood at 1.80 times in FY2019 (Provisional) as against 1.77 times in FY2018. The debt service coverage ratio (DSCR) stood at 1.28 times in FY2019 (Provisional) as against 1.13 times in FY2018. The total outside liabilities to tangible network (TOL/TNW) stood at 1.74 times in FY2019 (Provisional) and 1.49 times in FY2018.

Weaknesses

Working capital intensive operations

ACPL operations are working capital intensive. The Gross Current Assets (GCA) of 209 days in FY2019 (Provisional) from 246 days in FY2016. The high GCA days are marked by debtors days of 85 and Inventory days of 63 as on March, 2019. The average cash credit utilisation stood at more than 85 per cent for the six months ended August, 2019.

Regulatory risk

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

Liquidity Position

ACPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.44-1.53 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.73-1.02 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.43-3.51 crore during 2020-22, while its repayment obligations are estimated to be around Rs.0.88 crore. The company's operations are working capital intensive as marked by Gross Current Assets (GCA) of 209 days in FY 2019(Provisional). The working capital borrowings remains utilised above 85 percent during the last 6-month period ended August 2019. The current ratio of the group stood healthy at 1.31 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	86.56	67.21	70.37
EBITDA	Rs. Cr.	3.94	3.70	3.60
PAT	Rs. Cr.	0.75	0.65	0.66
EBITDA Margin	(%)	4.55	5.50	5.11
PAT Margin	(%)	0.86	0.96	0.94
ROCE	(%)	8.25	8.04	8.41
Total Debt/Tangible Net Worth	Times	0.74	0.59	0.85
PBDIT/Interest	Times	1.80	1.77	1.89
Total Debt/PBDIT	Times	4.45	3.62	4.79
Gross Current Assets (Days)	Days	209	246	251

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-June-2018	Cash Credit	Long Term	12.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.52	ACUITE BB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.99	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)

*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	15.00	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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