

Press Release

Perfect Crop Science Private Limited

July 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.25 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.8.25 crore bank facilities of Perfect Crop Science Private Limited (PCSPL). The outlook is '**Stable**'.

Perfect Crop Science Private Limited (PCSPL) based at Ahmedabad (Gujarat) was incorporated in 2008. The company operates in Agro Chemical industry, engaged in manufacturing and supply of wide range of agro chemicals, bio pesticides, organic pesticides and plant growth stimulators. The company is promoted by Mr. Prabhubhai Saradva (Managing Director). The manufacturing unit is located at Sanand in Ahmedabad and has eleven branches located pan-India.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr. Prabhubhai Saradva is associated with the company since inception. He has more than two decades of experience in the agro chemical industry. The promoter's established network and experience has helped PCSPL to establish its market presence all over India.

- **Well-diversified product portfolio**

PCSPL has been in agro chemical industry for one decade and has successfully grown its business by consistently modernising and enhancing its production capacity over the years. The company has developed more than 70 products and has 11 branches all over India. Acuite believes that PCSPL's increasing presence in the retail market and established relationships with large number of players will enable consistent sales growth and enhanced market share over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate net worth of Rs.4.37 crore as on 31 March, 2018 (Provisional) as compared to Rs.2.64 crore as on 31 March, 2017. The gearing ratio (debt-equity) stood high at 2.20 times as on 31 March, 2018 (Provisional) which has improved from 2.81 times as on 31 March, 2017. The interest coverage ratio stood comfortable at 4.70 times in FY2018 (Provisional) and 3.23 times in FY2017. The debt service coverage ratio stood at 2.69 times for FY2018 (Provisional).

Weaknesses

- **Moderate working capital cycle**

PCSPL's operation is working capital intensive as reflected by high Gross Current Asset (GCA) of 202 days as on 31 March, 2018 (Provisional) as against 162 days in the previous year. This is mainly on account of increase in inventory days of 112 as on 31 March, 2018 (Provisional) which increased from 60 days in the previous year. The debtor days also stood high at 100 for FY2018 (Provisional) which has increased from 86 days in the year earlier.

• **Exposure to inherent regulatory risks in competitive agrochemical market**

PCSPL operates in an industry which is highly regulated by specific and different registration processes and is subjected to various environmental rules and regulations. Acuite believes that the company will remain exposed to inherent risks associated with the competitive and regulated agro chemicals industry over the medium term, which could constrain revenue growth or profitability.

Analytical Approach

For arriving at the rating, Acuite has considered the standalone business and financial risk profiles of PCSPL.

Outlook: Stable

Acuite believes PCSPL will maintain 'Stable' outlook over medium term owing to its experience management and diversified revenue stream. The outlook may be revised to 'Positive' if the company registers significant revenue growth and profitability, resulting in improvement in accruals, and maintains a strong financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital cycle or significant reduction in profitability leading to weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.73	23.49	17.06
EBITDA	Rs. Cr.	4.42	2.68	1.56
PAT	Rs. Cr.	1.73	-0.13	0.57
EBITDA Margin	(%)	13.92	11.40	9.14
PAT Margin	(%)	5.46	-0.53	3.34
ROCE	(%)	30.01	26.90	23.37
Total Debt/Tangible Net Worth	Times	2.20	2.81	1.29
PBDIT/Interest	Times	4.70	3.23	4.78
Total Debt/PBDIT	Times	2.16	4.38	1.74
Gross Current Assets (Days)	Days	202	162	131

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	8.25	ACUITE BB- / Stable (Assigned)

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About Acuité Ratings & Research:

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