

Press Release

Acaricide India Private Limited

August 30, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 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 double B Minus**) and short-term rating of '**ACUITE A4 (read as ACUITE A four)**' on the Rs.14.00 crore bank facilities of Acaricide India Private Limited (Acaricide or the Company). The outlook is '**Stable**'.

Established in 1995, Acaricide India Private Limited (Acaricide) is engaged in the field of agrochemical manufacturing and offering wide range of pesticide formulations to the farmers for crop protection chemicals viz insecticides, miticides, fungicides, herbicides, micronutrients; in liquid and solid formulations. The company operates from its manufacturing facility located at Satulur village, Nadendla Mandal, Narasaraopet, Guntur District, Andhra Pradesh State with an installed capacity of ~ 20000 metric tonnes /per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Acaricide to arrive at this rating.

Key Rating Drivers

Strengths:

- **Established track record of operations and clientele**

Acaricide incorporated in 1995 is currently led by new management, Mr. Sreenivasa Rao Kurapati, his wife Mrs. Sujatha Kurapati and Mr. Potluri Krishna Prasad as Directors of the Company. In March 2017, the new management has taken over the charge in the company from the previous management. The current promoters have nearly a decade old experience in the field of pesticides marketing. Post takeover and in December 2017, the company name has been changed from K.V.M. Organic Products Private Limited to Acaricide India Private Limited.

Acaricide has good clientele in the product segment – include Bhagiradha Chemical and Industries Ltd, Green Leaf Technologies, Central Biotech, Kemicides Crop Protection Company, Agastya Agro Limited. Acuite believes that strong clientele and diversified product portfolio of over 85 products is expected to support in improving its business risk profile besides experienced management team in marketing of the products, over the medium term.

- **Diversified product portfolio and Favourable long-term demand outlook:**

Acaricide manufactures a broad range of products that are customised to meet the diverse requirements of its customers. The company manufactures around 85 products in various formulations of insecticides, herbicides and fungicides like Acephate, Acetamaprid, Carbandazim, Fipronil, Gibberellic Acid, Hexaconazole, Imidacloprid, Mancozeb, Paraquat, Profenofos among others. The diverse product portfolio lowers business risk and the risks of product obsolesce and enhance the customer portfolio.

Indian soil remains deficient in nutrient content which has resulted in lower agro-productivity. With increasing population the demand for food will increase which will make productivity improvement imperative for the agro-sector. Thus the demand outlook for fertilisers remains

positive in India.

Weaknesses:

- **Average financial risk profile:**

The financial risk profile of the company is average, marked by high total outside liabilities to total networth (TOL/TNW), below-average comfortable debt protection metrics though supported by healthy gearing. TOL/TNW is high at 3.42 times as on March 31, 2018(prov.) as against 1.42 times in FY2017. Its gearing is healthy at 0.80 times (provisional) as of March 31, 2018, improvement from 1.04 times in FY2017. Its networth is moderate at 14.26 crores (provisional) as of March 31, 2018 against Rs.13.30 crores in FY2017. Debt protection metrics are below-average: Interest coverage ratio (ICR) is at 1.56 times and Net Cash Accruals to Total Debt (NCA/TD) at 0.12 times as on March 31, 2018. Acuité believes that the financial risk profile of the firm is expected to be at similar levels over the medium term owing to increasing working capital requirements and corresponding debt levels, to cope up with the revenue growth plans.

- **Working capital intensive operations**

Acaricide's operations are working capital oriented, as reflected in its high Gross Current Asset (GCA) days of 443 as on March 31, 2018(Prov.). The high GCA is mainly attributed to high debtor days of about 161 and inventory days of 223 March 31, 2018(Prov.). High attributed to business and management transition; however, the same are expected to moderate with overall GCA expected around 200 days over the medium term with business volumes to improve. High GCA is owing to higher number of product varieties and to cater the client's requirement. Revenues have declined from highs of Rs.69.9 crores in FY2017 to about Rs.45.6 crores in FY2018 while changeover of management and stabilisation. However, high GCA in FY2018 has led to high utilisation of its working capital limits of Rs.12 crore of cash credit at about 93 percent over six months through June 2018. Acuité believes that the operation of Acaricide continues to be working capital intensive due to the industry nature, and increasing scale of operations.

Outlook: Stable

Acuité believes that the outlook on Acaricide's will remain 'Stable' over the medium term on account of the experience of the promoters. The outlook may be revised to 'Positive' in case the company registers more-than-expected revenues while maintaining its profitability and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected inventory levels or lower-than-expected cash accruals resulting in stretch in its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.59	69.96	62.12
EBITDA	Rs. Cr.	5.05	4.71	4.40
PAT	Rs. Cr.	0.95	1.42	1.29
EBITDA Margin	(%)	11.08	6.74	7.08
PAT Margin	(%)	2.08	2.03	2.08
ROCE	(%)	17.59	15.22	14.66
TOL/Tangible Net Worth	Times	3.42	1.42	1.96
PBDIT/Interest	Times	2.25	2.91	3.71
Gross Current Assets (Days)	Days	443	131	191

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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	12.00	ACUITE BB- / Stable (Assigned)
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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