



**Press Release**  
**ARADHYA CHEMICALS AND FERTILIZERS**  
**January 05, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.60	ACUITE B+   Stable   Reaffirmed	-
Bank Loan Ratings	0.40	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	8.00	-	-

**Rating Rationale**

Acuite has reaffirmed long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.00 crore bank facilities of Aradhya Chemicals and Fertilizers (ACF). The outlook is '**Stable**'.

**Rationale for the Reaffirmation**

The rating reaffirmation considers stable operating and financial performance of ACF marked by stable operating income and improved operating margin. The revenue of the firm stood at Rs.28.93 Cr in FY2023 as against Rs.32.54 Cr in FY2022, while the operating margins stood at 5.38% and 4.05% during the same period. The rating also derives strength from the long track record of operations and experience of the management. The above strengths are constrained by the working capital-intensive nature of operations and MI's presence in a competitive industry with low entry barriers.

**About the Company**

Established in 2010, Aradhya Chemicals and Fertilizers (ACF) is engaged in manufacturing of NPK fertilizers. The product line includes NPK fertilizers 17:17:17, 20:20:0, 14:06:21 and CMS fertilizers 10:05:05. The day to day operations are managed by its Partners, Mr. I S Prasanna, Mr. I P Prasheel Aradhya, Mr. I P Prajwal Aradhya and Mr. Mallappa S Angadi. The manufacturing unit is located at Mallashettihalli in Davangere (Karnataka) with installed capacity of 10 tonnes per hour.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of ACF to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management**

The firm is promoted by its Managing Partner, Mr. I S Prasanna along with other partners, I P Prasheel Aradhya, I P Prajwal Aradhya and Mallappa S Angadi who collectively possess experience of more than three decades in agriculture industry. The extensive experience has

enabled the firm forge healthy relationships with customers and suppliers. Acuité believes that ACF will continue to benefit from its experienced management and established relationships

with customers.

## **Weaknesses**

### **Average financial risk profile**

The financial risk profile of the company remained average marked by moderate net worth, high gearing and robust debt protection metrics. The net worth of Rs.5.84 Cr as on FY2023 as against Rs.5.36 Cr as on FY2022. The gearing (debt-equity) stood at 1.54 times as on FY2023 as against 2.22 times as on FY2022. The total debt of Rs.8.99 Cr as on FY2023 consists of long-term of Rs.1.42 Cr. and short term of Rs.7.10 Cr. of bank borrowings and USL of Rs.0.46 Cr. The interest coverage ratio stood at 2.24 times for FY2023 as against 5.99 times for FY2022. The DSCR stood at 2.06 times for FY2023 as compared to 5.30 times for FY2022. The Net Cash Accruals to Total debt stood at 0.13 times for FY2023 as against 0.10 times for FY2022. The Total outside liabilities to Tangible net worth stood high at 2.00 times for FY2023 as against 2.84 times in FY2022.

### **Working capital management**

The working capital management of the company remained intensive marked by high Gross Current Assets (GCA) of 259 days for FY2023 as compared to 323 days as on FY2022. The debtor period stood at 185 days for FY2023. Further, the inventory holding stood at 76 days for FY2023 as against 96 days for FY2022. The payment cycle varies from 15-30 days. The working capital cycle of the Company is expected to remain at similar levels over the medium term.

### **Highly fragmented industry and agro-climatic risk**

Indian fertilizers industry is highly fragmented sector having large number of players from unorganised sector. In this industry, the barriers to entry are very low on account of low capital investment requirement. Further, the operations of the firm are exposed to agro climatic risk as it is highly dependent upon the rainfall. Any adverse climatic changes may severely impact the business of the firm.

## **Rating Sensitivities**

- Scale of operations and profitability.
- Working Capital Management.

## **Liquidity Position**

### **Stretched**

The company has a stretched liquidity profile as reflected from its adequate net cash accruals against repayment obligations. The company generate net cash accruals of Rs. 1.19 Cr in FY2023 against repayment obligations of Rs. 1.42 Cr. The gross current asset days of the company stood at 259 days in FY2023. The bank limit utilisation of the company stood at 93.00% for the November months ended 2023. Current ratio stood modest at 1.44 times in FY2023.

### **Outlook: Stable**

Acuité believes that ACF will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in ACF's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	19.84	19.30
PAT	Rs. Cr.	0.77	0.81
PAT Margin	(%)	3.86	4.22
Total Debt/Tangible Net Worth	Times	1.54	2.22
PBDIT/Interest	Times	2.24	5.99

### 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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Oct 2022	Working Capital Term Loan	Long Term	1.04	ACUITE B+   Stable (Upgraded from ACUITE B)
	Working Capital Term Loan	Long Term	0.55	ACUITE B+   Stable (Upgraded from ACUITE B)
	Term Loan	Long Term	0.17	ACUITE B+   Stable (Upgraded from ACUITE B)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE B+   Stable (Upgraded from ACUITE B)
	Proposed Bank Facility	Long Term	2.34	ACUITE B+   Stable (Upgraded from ACUITE B)
22 Sep 2022	Cash Credit	Long Term	3.50	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	0.17	ACUITE B ( Issuer not co-operating*)
	Proposed Bank Facility	Long Term	3.93	ACUITE B ( Issuer not co-operating*)
	Bank Guarantee	Short Term	0.40	ACUITE A4 ( Issuer not co-operating*)
24 Jun 2021	Proposed Bank Facility	Long Term	3.93	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	0.17	ACUITE B ( Issuer not co-operating*)
	Bank Guarantee	Short Term	0.40	ACUITE A4 ( Issuer not co-operating*)
	Cash Credit	Long Term	3.50	ACUITE B ( Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.40	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE B+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.34	ACUITE B+   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.17	ACUITE B+   Stable   Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.04	ACUITE B+   Stable   Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.55	ACUITE B+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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