

Press Release

Ajinky Chemtech Private Limited

June 15, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB (read as ACUITE double B)**' on the Rs. 11.00 crore bank facilities of AJINKYA CHEMTECH PRIVATE LIMITED (ACPL).

Incorporated in 1994, ACPL is a Pune-based (Maharashtra) company promoted by Mr. Harshanan V Patil and Mrs. Manjusha Patil. The company is engaged in manufacturing of organic farming input solutions like Bactericide, Nematicides, Miticides, Plant Growth Regulators, Organic Fertilizers like Granules & Seaweed Extract, Micronutrients & Water-Soluble Fertilizers. These products find application in agro industry. ACPL has its manufacturing unit located in Pune.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

ACPL was incorporated in 1994 and promoted by Mr. Harshanan V Patil (BE Mech). The company is engaged in manufacturing of organic farming input solutions which are used to improve the crop yield in the farms, improve quality and growth of the crop, protect the soil from erosion and increased disease resistance of crop. The promoter of the company has been engaged in the same industry for more than two decades. Further, the company have been supported by extremely qualified management.

The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. On the back of the stable and repeat orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about 19 per cent over the past four years through FY2020 at Rs.51.84 crores (Provisional) in FY2020.

- **Moderate scale of operations and profitability margins**

ACPL has moderate scale of operations as marked by operating income of Rs. 51.08 crore for FY2019 as against Rs.43.06 crore for FY2018 and Rs. 26.19 crore for FY2016. The company booked revenue of Rs.51.84 crore (Provisional) in FY2020. The operating margins stood moderate at 2.88 percent in FY2019 as against 2.46 percent in FY2018 and 3.24 percent in FY2017. Profit After Tax (PAT) margins stood at 0.98 percent in FY2019 as against 0.88 percent in FY2018 and 1.13 percent in FY2017.

Acuité believes that the company's ability to register significant growth in its revenues while improving its profitability would be key rating sensitivity.

Weaknesses

- **Average financial risk profile**

ACPL has average financial risk profile marked by tangible net worth of Rs. 4.66 crore as on 31 March, 2020 Prov as against Rs. 3.83 crore as on 31 March, 2019. The gearing (debt to equity) stood at 1.61 times as on March 31, 2020 Prov as against 1.96 times as on March 31, 2019. The total debt of Rs.7.50 crore as on March 31, 2020 Prov entirely consists of working capital borrowing. Interest Coverage Ratio (ICR) stood at 2.03 times in FY2020 Prov as against 1.68 times in FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.79 times as on 31 March, 2020 Prov as against 2.42 times as on 31 March, 2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times in FY2020 Prov as against 0.07 times in FY2019. Going

forward, Acuité expects the financial risk profile to remain stable on account of absence of significant debt funded capex plans.

Rating Sensitivities

- Stretch in Gross Current Asset (GCA) days.
- Significant improvement in scale of operation while maintaining profitability margin leading to overall improvement in financial risk profile.

Material Covenants

None

Liquidity Position: Adequate

The company generated cash accruals of Rs. 0.35 crore – Rs. 0.85 crore during the last three years through 2018-20 (Provisional), while the maturing debt obligations were nil over the same period as the company has no long-term borrowings. The cash accruals are estimated to be in the range of Rs. 0.75 – 1.00 crores during 2020- 22. The company maintains cash and bank balances of Rs. 0.04 crore as on March 31, 2019. The current ratio stood moderate at 1.52 times (Provisional) as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	51.84	51.08
PAT	Rs. Cr.	0.83	0.50
PAT Margin	(%)	1.60	0.98
Total Debt/Tangible Net Worth	Times	1.61	1.96
PBDIT/Interest	Times	2.03	1.94

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB /Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294035 grishma.muni@acuite.in	

About Acuité Ratings & Research:

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