

Press Release

Ajinkya Chemtech Private Limited

December 11, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.11.00 Cr.
Long Term Rating	ACUITE BB (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.11.00 Crore bank facilities of Ajinkya Chemtech Private Limited (ACPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

About the Company

Maharashtra-based, ACPL was incorporated in 1994. The company is engaged in the manufacturing of organic farming input solutions like Bactericide, Nematicides, Miticides, Plant Growth Regulators, Organic Fertilizers like Granules & Seaweed Extract, Micronutrients & Water-Soluble Fertilizers. The company is promoted by Mr. Harshanan V Patil and Mrs. Manjusha H Patil. ACPL has a manufacturing unit located at Pune.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. Harshanan V Patil and Mrs. Manjusha H Patil, have more than two decades of experience in the said line of business. The extensive experience, coupled with a long track record of operations, has enabled the company to forge healthy relationships with customers and suppliers.

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

ACPL has moderate scale of operations marked by operating income of Rs.51.84 Cr in FY2020 (Provisional) as against Rs.51.08 Cr in FY2019. For 8M2021, the company has achieved a revenue of Rs.34.14 Cr. The operating margins stood at 3.20 percent in FY2020 (Provisional) as against 2.88 percent in FY2019. The profitability margins stood at 1.60 percent in FY2020 (Provisional) as against 0.98 percent in FY2019.

Weaknesses

- **Average financial risk profile**

ACPL's financial risk profile is average marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), modest net worth and debt protection metrics. The gearing has stood moderate at 1.61 times as on 31 March, 2020 (Provisional) as against 1.96 times as on 31 March, 2019. TOL/TNW is at 1.79 times as on 31 March, 2020 (Provisional) as against 2.42 times as on 31 March, 2019. Tangible net worth of the company stood modest at Rs.4.66 Cr as on 31 March, 2020 (Provisional) as against Rs.3.83 Cr as on 31 March, 2019.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 2.03 times and 0.11 times, respectively in FY2020 (Provisional).

- **Regulatory risk**

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

• **Customer concentration risk**

The company derives over 43% of its revenue on selling organic fertilizers to Taraka Traders. This places the company at a significant customer concentration risk.

Rating Sensitivities

- Improvement in the operating revenue and scale of operations while sustaining the margins
- Any stretch in working capital operations leading to deterioration of its financial risk profile and liquidity

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity marked by healthy net cash accruals to nil repayment obligations. The company has generated cash accruals of Rs.0.85 Cr in FY2020 (Provisional), against nil repayment obligations. The company maintains unencumbered cash and bank balances of Rs.0.07 Cr as on 31 March, 2020 (Provisional). The current ratio of the company stood at 1.52 times in the same period. Liquid investments stood at Rs.0.11 Cr as on 31 March, 2020 (Provisional). The working capital limits are utilized at ~80 percent for the last eight months ended in November, 2020. The company has not availed any COVID moratorium.

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Jun-2020	Cash Credit	Long Term	11.00	ACUITE BB/ Stable (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	11.00	ACUITE BB (Withdrawn)

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About Acuité Ratings & Research:

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