



Press Release
Ajinkya Chemtech Private Limited
March 17, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	31.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB (read as ACUITE double Bo)**' on the Rs. 31.00 Cr. bank facilities of Ajinkya Chemtech Private Limited (ACPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record and industry experience of the directors of the company in this line of business. The rating also factors in the moderate working capital operations of the company. However, the rating is constrained by moderate scale of operations and margins, below average financial risk profile and regulatory risk.

About the Company

Incorporated in 1994, Ajinkya Chemtech Private Limited (ACPL) 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. ACPL sells ~60 per cent of products under its own brands and rest to the wholesalers. ACPL sells through 300-400 dealers' network across various states. ACPL is promoted by Mr. Harshanan V Patil and Mrs. Manjusha H Patil. The company has a manufacturing unit located at Pune.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and long operational track record

ACPL was incorporated in 1994 and promoted by Mr. Harshanan V Patil and Mrs. Manjusha H Patil. The company is engaged in manufacturing of organic farming input solutions which are used to 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 around three decades. Further, the company have been supported by qualified management. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. Acuite believes, the company will benefit from the extensive experience of the promoters in maintaining long standing relations with suppliers and customers.

Moderate working capital management

The working capital operations of the company are moderate in nature, marked by a GCA of 129 days in FY 2024, as compared to 153 days in FY 2023. Debtor days stood at 68 days as of March 31, 2024, compared to 97 days as of March 31, 2023. The inventory days for the company stood at 41 days in FY 2024, compared to 33 days in FY 2023. Additionally, creditor days stood at 1 day in FY 2024, compared to 3 days in the previous year. Furthermore, reliance on working capital limits remained high, with utilization at around 91 percent over 12 months ending January 2024. Acuité believes that the working capital operations of the company will continue to remain moderate.

Weaknesses

Moderate scale of operations and profitability margins

ACPL has moderate scale of operations as indicated by operating income of Rs. 119.51 Cr. for FY2024, compared to Rs. 77.50 Cr. for FY2023 and Rs. 64.32 Cr. for FY2022. The company recorded a revenue of Rs.113.07 Cr. in 10M FY2025. The operating margins remained moderate but declined to 2.73 percent in FY2024 from 3.38 percent in FY2023 on account of heavy marketing expenses. The Profit After Tax (PAT) margins deteriorated to 0.19 percent in FY2024 as against 0.68 percent in FY2023. ACPL is set to launch 21 new products to its existing pipeline by April 2025, this would help improve the operating scale of the company to an extent however the additional product launch cost is expected to put pressure on margins further.

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

Below Average financial risk profile

The financial risk profile of ACPL is below average, marked by low net worth, high gearing, and average debt protection metrics. The net worth of the company stood at Rs. 8.97 Cr. as of March 31, 2024 compared to Rs. 7.51 Cr. as of March 31, 2023, this includes Rs. 0.84 Cr. of unsecured loans from promoter's considered as part of quasi-equity in FY24 based on the undertaking given by the company. The gearing of the company is high at 3.18 times as of March 31, 2024, compared to 2.78 times as of March 31, 2023. Further, debt protection metrics are average, with the debt service coverage ratio (DSCR) at 0.93 times in FY 2024, compared to 1.32 times in the previous year. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.84 times as of March 31, 2024, compared to 3.46 times as of March 31, 2023. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.01 times in FY 2024, compared to 0.03 times in the previous year.

Acuite believes, the financial risk profile of the company would remain below average on account of low net worth base.

Regulatory Risk

The fertilizer industry is highly regulated with profitability largely dependent on government policies with regard to subsidy and pricing. Any changes in regulations, may impact the profitability of the company adversely.

Rating Sensitivities

Consistent Improvement in scale of operation and profitability margins.

Deterioration in working Capital cycle

Changes in Financial Risk Profile

Liquidity Position

Stretched

The company's liquidity position is stretched, marked by low net cash accruals of Rs. 0.29 Cr. in FY2024 against its debt obligations of around Rs. 0.48 Cr. Further, the company is expected to generate adequate cash accruals in the range of Rs. 1.13 – 2.04 Cr., compared to maturing repayment obligations of around Rs. 0.24 Cr. – 0.49 Cr. over the medium term. The cash and bank balance as of FY24 stood at Rs. 0.02 Cr., compared to Rs. 1.01 Cr. in FY23. The working capital limit utilisation is high at 91 per cent ending January 2025.

Outlook

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	119.51	77.50
PAT	Rs. Cr.	0.23	0.53
PAT Margin	(%)	0.19	0.68
Total Debt/Tangible Net Worth	Times	3.18	2.78
PBDIT/Interest	Times	1.24	1.47

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.00	Simple	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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