

## Press Release

Best Agrolife Limited

October 06, 2022



### Rating Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.00	ACUITE BBB   Upgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	37.00	-	-

### Rating Rationale

Acuite has upgraded and withdrawn its long-term rating at "**ACUITE BBB**" (read as **ACUITE Triple B**) on the bank facilities of Rs.37 Crore bank facilities of Best Agrolife Limited. The rating has been withdrawn on Acuite's policy of withdrawal of ratings, along with the request from the company, and NOC received from the banker.

#### Rationale for rating

Sustained performance, Established track record of operation and experienced management and healthy financial risk profile were the driving factors of the rating however the rating is underpinned by the moderately intensive working capital operation and competition from other players.

#### About Company

Best Agrolife Limited is a public limited listed company incorporated in 1992, promoted by Mr. Vimal Alawadhi, Mr. Braj Kishore Prasad among the others. The company is engaged in the trading of agrochemical products such as insecticides, pesticides, herbicides, fungicides and plant nutrients. Company's crop protection chemical products are sold through distributors and comarketing alliances with leading Indian companies throughout the country. They have distribution network with more than 3600 distributors and direct dealers and over 1500 retail points across the country with 18 stock points. Company also sell the products though their own brand name 'Best'.

#### About the Group

Best Agrolife Group is a Delhi based group, promoted by Mr. Vimal Alawadhi, Mr. Braj Kishore Prasad, among the others, which is engaged in the manufacturing and trading of agrochemical products such as insecticides, pesticides, herbicides, fungicides and plant nutrients. The group currently comprises of two entities i.e. Best Agrolife Limited and Best Crop Science Private limited.

#### Analytical Approach

#### Extent of Consolidation

- Full Consolidation

## **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profiles of Best Agrolife Limited and Best Crop Science LLP together known as Best Agro Group, to arrive at this rating. The consolidation is on account of common management, similar line of business, and operational linkages.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operation and experienced management**

Mr. Vimal Kumar is the managing director and has vast experience in the agrochemical industry. He is ably supported by other directors who are professionally running the company. The group has a distribution network with more than 3600 distributors and direct dealers and over 1500 retail points across the country with 18 stock points which has enabled them to clock revenues of Rs.1451.36 crore in FY2022 as compared to Rs.992.79 crore in FY2021. Acuité believes that the group will continue to benefit from its experienced management and long track record of operation in agrochemical industry.

#### **Healthy financial risk profile**

Group's Financial risk profile remain healthy marked by strong net worth, strong gearing and strong debt protection metrics. The net worth of the group stood at Rs.355.95 Crore as on March 2022 against Rs.148.30 Crore in FY21. The net worth levels have seen significant improvement over the last three years on an account of healthy accretion to reserve during the same period. The gearing level stood at 0.87 times in FY22 against 1.07 times in FY21. In addition to this, the interest coverage ratio stood high at 9.15 times in FY22 against 7.59 times in FY21.

Acuite expects that financial risk profile of the group to remain healthy over the medium term on an account of high net worth and strong debt protection metrics.

### **Weaknesses**

#### **Moderate working capital operations**

The working capital operations of the company is intensive in FY22 marked by GCA (Gross current days) Days of 217 days in FY22 against 198 days in FY21. The GCA days are high on an account of high inventory days due to import from China. The current ratio of the company stood at 1.23 times in FY22. Acuite believes that the working capital requirement will continue to remain intensive over the medium term.

#### **Competitive and fragmented nature of operation**

The group is operating in competitive and fragmented nature of industry. There are several players engaged in the agrochemical industry in organized and unorganized sector. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

### **Rating Sensitivities**

- Significant improvement in operating income and profitability
- Stretch in working capital cycle

### **Material Covenants**

None.

### **Liquidity Position**

#### **Strong**

The group has strong liquidity marked by high net cash accruals to its maturing debt obligations. The group generated net cash accruals of Rs.125.89 Crore against CPLTD of Rs.1.45 Crore for the same period. Company maintains unencumbered cash and bank

balance of Rs.12.79 Crore. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

### Outlook:

Not Applicable.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1451.36	992.79
PAT	Rs. Cr.	114.98	50.07
PAT Margin	(%)	7.92	5.04
Total Debt/Tangible Net Worth	Times	0.87	1.07
PBDIT/Interest	Times	9.15	7.59

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

None

### Any Other Information

None

### Applicable Criteria

- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2022	Cash Credit	Long Term	37.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
27 Apr 2021	Cash Credit	Long Term	37.00	ACUITE BBB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE BBB   Upgraded & Withdrawn

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Depanshi . Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:depanshi.mittal@acuite.in">depanshi.mittal@acuite.in</a>	

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.