

Press Release

Multiplex Agricare Private Limited

December 17, 2021

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.25	ACUITE BBB- Stable Assigned	
Total	9.25	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB- (read as ACUITE Triple B minus)**' on the Rs.9.25 Cr bank facilities of Multiplex Agricare Private Limited (MAPL). The outlook is 'Stable'.

The ratings assigned favourably factors in the group's established position in the fertilisers and micronutrient premixes industry, extensive experience of the promoters, wide product portfolio and distribution network along with geographical presence in the domestic market, long-standing relation with its stake holders and positive industry outlook for the fertilisers sector. The ratings are constrained by high working capital intensity of the business and intense competition in the industry, exposure to risks related to regulated nature of the fertilizer industry in India and to volatility in raw material prices and agro-climatic risks.

About the Company

Incorporated in 1996, Multiplex Agricare Private Limited (MAPL) was promoted by Mr. Mahesh Gopala Krishna. It is engaged in the manufacturing and marketing of zinc sulphate, copper, magnesium, manganese and marketing of pesticides and insecticides. Its manufacturing unit is located in Peenya, Bangalore (Karnataka).

About the Group

Karnataka Agro Chemicals (KAC) is based in Bengaluru, was established in 1974 by Dr. G.P Shetty. KAC manufactures various fertilizer products, viz.: Single Micronutrients (Chelated & Non Chelated), Major Nutrients, Secondary nutrients (Chelated & Non Chelated), Multi Micronutrients (Chelated & Non Chelated), Plant Bio-Activators, Plant Growth Regulator and Spray Adjuvants. It has manufacturing units at Nagarbhavi and Tumkur in Karnataka; Ghaziabad in Uttar Pradesh and Bhubaneshwar in Odisha. Its daily operations are managed by Mr. Mahesh Shetty.

Incorporated in 2000, Multiplex Bio-Tech Private Limited (MBPL) is the one of the Group Company of MULTIPLEX group. MBPL is promoted by Mr. Mahesh Gopalakrishna and his family members. It is engaged in manufacturing and marketing of micronutrients fertilizers and various bio Products, viz. Multiplex Organic Manure, Bio-Fertilizers, Bio-Fungicides, Bio Insecticides and Bio Pesticides. The Group has manufacturing unit located at Nelamangala near Bangalore (Karnataka). It is also engaged in manufacturing of agro based bi-products which are used for agriculture crop growth.

Analytical Approach

The team has consolidated the business and financial risk profiles of Karnataka Agro Chemicals (KAC), Multiplex Agricare Private Limited (MAPL) and Multiplex Bio-Tech Private Limited (MBPL), together referred to as the 'Multiplex Group' (MG). The consolidation is in view of the common management, strong operational & financial linkages between the

entities, corporate guarantee of Multiplex Bio-Tech Private Limited for the bank facilities of KAC and unsecured loans by MBPL to KAC and MAPL. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Promoters' extensive experience and established track record in fertiliser industry

Multiplex Group' was set up in 1974 by Mr. Dr. G.P Shetty is a first -generation entrepreneur. Multiplex Group is closely held by the promoter family. The second generation of the promoter family manages the business, with managing director Mr. Mahesh G Shetty looking after daily operations. The promoters of the Group have extensive experience of over three decades in the fertilizer industry which has led to understanding of the dynamics of the market and enabled them to establish healthy relationships with its suppliers and customers to get repeated business. It is having a strong network in Karnataka and presence in Tamil Nadu, Telangana and Andhra Pradesh as well. The Group has recorded its revenues at Rs. 343.02 Cr for FY2021 (Provisional). It showed a 23.31 % compound annual growth rate (CAGR) over the last four years ended with FY2021 (Provisional). Acuité expects that the promoters' experience of over three decades, understanding of local market dynamics and healthy relationships with customers and suppliers will continue to support the business over the medium term.

• Diversified clientele and product portfolio

The group supplies its products to various states through a network of 26 branches and 4000+ dealers. Its product portfolio has more than 150 brands. The operations are characterised by a high level of vertical integration across its fertilisers divisions, thereby allowing high value addition and diversification. It manufactures a wide range of products—from micro nutrients to bio fertilisers and water-soluble fertilisers. The Group's ability to suitably modify its product mix in response to changes in market conditions partially mitigates the risks associated with cyclicity. The group also has a well-entrenched distribution network spanning across the country. Acuité believes that strong diversity in clientele and product profile helps maintain steady growth in revenue and profitability.

• Favourable long-term demand outlook for fertilisers in India due to scarcity of nutrients in the soil

Indian soil remains deficient in nutrient content which has resulted in lower agri-productivity. With increasing population, the demand for food will increase which will make productivity improvement imperative for the agri sector. Thus, the demand outlook for fertilisers remains positive in India.

• Above-average financial risk profile

Group's financial profile is above-average characterised by moderate gearing (debt-to-equity), moderate total outside liabilities to total net worth (TOL/TNW) and above-average coverage indicators. Gearing is moderate at 1.74 times as on March 31, 2021 (Provisional) as against 2.22 times as on March 31, 2020. TOL/TNW is moderate at around 3.29 times as on March 31, 2021 (Provisional) as against from 3.90 times as on March 31, 2020. Its net worth is moderate at Rs. 60.30 Cr as on March 31, 2021 (Provisional) as against Rs. 46.48 Cr as on March 31, 2020. The debt-coverage indicators also remain above-average, as reflected by interest coverage ratio of 4.46 times and net cash accrual to total debt of 0.24 times for FY2021 (Provisional) vis-à-vis 2.48 times and 0.12 times for FY2020. Acuité believes that in the absence of any large, debt-funded capital expenditure (capex) over the medium term, the financial risk profile should remain above-average.

Weaknesses

• Working-capital-intensive nature of operations

The Group's operations are working capital intensive marked by its Gross Current Assets

(GCA) days of 152 as on March 31, 2021 (Provisional), improved from 181 days during the previous year. Its Inventory holding had increased to 92 days as on March 31, 2021 (Provisional) from 86 days during previous year. Its efficient collection of trade receivables resulted in the significant reduction in debtor to 29 days on March 31, 2021 (Provisional), improved from 58 days during previous year. Its working capital needs are partially aided by supplier credit of 156 days as at March 31, 2021 (Provisional) as against 198 days during previous year. Reliance on working capital debt remains high resulting in high bank limit utilization of 95 percent over the past six months ended Oct 2021. Acuite believes that given the seasonality inherent in demand, diverse product portfolio and wide distribution network across the country, the group needs to maintain high raw material and finished goods inventory to acquire new customers/expand its sales to new geography.

· **Vulnerability of profitability to agro-climatic conditions, regulatory risks and seasonality of the fertiliser business**

The Group's sales and profitability remain susceptible to agro-climatic conditions, development of pestresistant genetically modified (GM) seeds and regulatory risks inherent in the business. Agriculture sector in India remains vulnerable to the vagaries of monsoon as the area under irrigation remains low which exposes fertiliser sector to volatility as well. The group faces intense competition from small, unorganised players, and has to compete with strong players in markets where it plans to expand its reach necessitates constant marketing and branding expenditure.

Liquidity Position: Adequate

Group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of 24.65 Cr in FY 2021 (Provisional) while its maturing debt obligation in the same year was Rs.10.33 Cr (Provisional). The cash accruals of the group are estimated to remain around Rs.20-25 Cr during 2022-24 while their repayment obligations are estimated to be ~Rs. 10.50 Cr. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 152 as on March 31, 2021 (Provisional). This has led to high reliance on working capital borrowings, the bank limits of the group remains utilized at 95 percent during the last six months period ended October 2021. The group maintained unencumbered cash and bank balances of Rs. 27 Cr as on March 31, 2021 (Provisional). The current ratio of the group stands modest at 1.07 times as on March 31, 2021 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term.

Rating Sensitivities

- Significant improvement in scale of operations and improvement in profitability.
- Larger-than-expected debt-funded capex/acquisition or significant stretch in working capital.
- Substantial adverse impact of any regulatory/policy change.
- Sustained improvement in scale of operation with sustenance of operating margin.

Material covenants

None.

Outlook: Stable

Acuite believes that Group will continue to benefit over the medium term due to its established market position, established relations with its customers and suppliers and diversified geographical reach and product portfolio. The outlook may be revised to "Positive", if the Group demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining / improving its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if Group's generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or further stretch in its working capital cycle, or larger-than expected debt-funded capex or any significant investments in group entities, or any significant withdrawal of capital there by impacting its financial risk profile, particularly its liquidity.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	343.02	259.66
PAT	Rs. Cr.	19.18	7.32
PAT Margin	(%)	5.59	2.82
Total Debt/Tangible Net Worth	Times	1.74	2.22
PBDIT/Interest	Times	4.46	2.48

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

None.

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History:

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- Stable Assigned
Karnataka Bank Ltd	Not Applicable	Term Loan	28-08-2018	Not available	10-04-2027	2.25	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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