



Press Release
CROP CARE ORGANICS LLP
September 12, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	3.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of **ACUITE A4** (read as **ACUITE A four**) to the Rs. 50 Cr. bank facilities of Crop Care Organic LLP (CCOLL). The outlook is stable.

Rationale for rating assigned

The rating assigned takes into account the experience and established track record of partners in agro chemical industry for more than two decades. The rating also factors in the strong product portfolio with fully operational manufacturing facility since July 2023. However, rating is constrained by nascent stage of operations, moderate financial risk profile marked by debt-equity ratio of 12.06 times as on 31st March, 2023, working capital intensive nature of operations and competitive and fragmented nature of agro chemical industry.

About the Company

Incorporated in the year 2019, Crop Care Organics LLP (CCOL) is engaged in manufacturing of technical-grade pesticides and formulated pesticides. The manufacturing plant is located in Nazibabad, Bijnor, Uttar Pradesh. The products include technical grade insecticides, rodenticides, fungicides, herbicides, PGR, and formulated pesticides like E.C, S. L., C.S., W.P., W. D. G. The registered office is situated in Muzaffarnagar, Uttar Pradesh. The Current Partners of the company are Mr Udit Mishra, Ms Divya Kansal, Mr Vatsal Singhal, Mr Kapil and Mr Virendra Kumar Chaudhary.

Analytical Approach

Analytical Approach Acuite has considered standalone business and financial risk profile of CCOLL

Key Rating Drivers

Strengths

Experienced and established track record of partners

Crop care Organics LLP (CCOLL) was incorporated in December 2019 by Mr.Udit Mishra, Mr. Amit Mishra and Mr. Virendra Choudhary. Partners of the firm has more than two decades of

experience in agro chemical industry in India and overseas, before incorporation of the CCOLLP all the partners were engaged with reputed companies in this segment which has

helped them in building relationships with suppliers and customers within the industry and understand the requirement of the industry. Partners are supported by team of qualified professionals in managing operations of the firm. CCOLLP's manufacturing facility was partially completed in December 2022; operations were partially started since then, however firm has completed the capex and manufacturing plant is fully operational since July 2023. Firm has an order book of Rs.41.82 Cr as on August 2023, which is expected to be delivered in next 90 days and expected to receive more number of orders ensuring short to medium term revenue visibility.

Acuite believes that firm will continue to benefit from its experienced partners and their established track record in operations.

Weaknesses

Moderate financial risk profile

Financial risk profile of the firm is moderate marked by moderate net worth and capital structure. Firm's net worth has reduced to Rs.4.2 Cr as on March 31st 2023 as against Rs.5.35 Cr as on March 31st 2022. Reduction in net worth is due to losses incurred in FY2023. In FY2024 firm has converted its unsecured loan of Rs.9.21 Cr into capital which has increased partner's capital to Rs.13.41 Cr. Firm's total debt of Rs. 50.65 Cr as on March 31 2023, consisting of USL from partners/close relatives of Rs.24.16 Cr and term loan of Rs, 26.50 Cr. The gearing of the company stood high at 12.06 times as on March 31st 2023 as against 1.98 times as on March 31st 2022. The firm has high reliance on working capital limits as evident by average working capitalisation of 75 percent over 4 months ending July 2023. The total outside liabilities to tangible networth stood at 13.97 times as on March 31st 2023 as against 2.18 times as on March 31st 2022. Going forward firm net cash accruals are expected to be in the range of Rs.3.37 to Rs.4.49 during FY24-25 against its repayment obligations ranging between Rs.2.40 Cr to 2.98 Cr during the same period.

Acuite believes that firm financial risk profile may improve in medium term in absence of any debt-laden capex.

Working capital intensive nature of operations

Firm's operations are working capital intensive in nature marked by Gross current asset (GCA) days of 1812 days in FY2023. GCA days are mainly dominated by high inventory days of 1483 days in FY23. Debtor days of the firm stood at 87 days in FY23, whereas creditor days stood at 1623 days in FY23. Firm on an average utilised 75 percent of its working capital limits during four months ending July 2023. Firm is expected to enhance its working capital limits going forward to supports its operations. Current ratio of the firm stood at 1.16 times as on March 31st 2023. Acuite believes that working capital operations of the company may continue to remain moderately intensive over the medium term.

High Competitive and Fragmented Industry

The agro chemical industry has a large number of players which makes this industry highly fragmented and intensely competitive. CCOLLP's is also a moderate sized player, thereby limiting its bargaining power and susceptibility to pricing pressure is also higher compared to well-established and larger players. However, the partners' experience and track record of over two decades in the industry may enabled it to partially offset competitive pressures. Further, it undertakes regular research and development to improve its product offerings. This will help the firm is improving its competitive position.

Rating Sensitivities

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Stretch in working capital cycle, leading to an increase in working capital borrowing and weakening of financial risk profile.
- Withdrawal of capital

All Covenants

None

Liquidity: Adequate

CCOLLP's liquidity is adequate marked by moderate cash accruals to its debt obligations, firm is expected to generated net cash accruals ranging between Rs.3.37 to 4.49 Cr in FY24-25 against its repayment obligations ranging between Rs.2.98 to 4.32 Cr during the same period. Firm's GCA days are high at 1812 during FY23 making it dependent on bank borrowings for its working capital limits, as evident by average working capital limit utilisation around 75 percent during four months ending July 2023. Firm's current ratio stood at 1.16 times as on March 31st 2023. Firm's unencumbered cash and bank balances stood at Rs.0.06 Cr as on March 31st 2023.

Acuite believes that liquidity profile of CCOLLP is expected to remain adequate over medium term.

Outlook: Stable

Acuite believes that the outlook of CCOLLP will remain 'Stable' over the medium term on account of the promoter's extensive experience and established presence. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or further elongation of the working capital cycle; thereby resulting in deterioration in the financial risk profile or liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1.69	0.00
PAT	Rs. Cr.	(3.05)	(0.01)
PAT Margin	(%)	(180.05)	0.00
Total Debt/Tangible Net Worth	Times	12.06	1.98
PBDIT/Interest	Times	645.45	(34.95)

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

Brickworks ratings vide its press release dated December 22, 2022, downgraded Crop Care Organics LLP (CCOLL) to BWR B-/stable as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB- Stable Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE BB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.50	ACUITE BB- Stable Assigned

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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.

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