



Press Release
Crop Care Organics Llp
December 09, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	39.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	11.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	74.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 50.00 Cr. bank facilities of Crop Care Organics LLP (CCOLL). The outlook is '**Stable**'.

Also, Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 24.00 Cr. bank facilities of Crop Care Organics LLP (CCOLL). The outlook is '**Stable**'.

Rationale for rating upgradation

The rating upgrade factors in the augmentation in scale of operations and profitability margins. The rating also considers comfortable financial risk profile of the firm backed by adequate liquidity position and Net Worth. However, rating is constrained by limited operational track record of the firm, working capital intensive nature of operations and competitive and fragmented nature of agro chemical industry.

About the Company

Established in the year 2019, Crop Care Organics LLP (CCOLL) 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of CCOLL.

Key Rating Drivers

Strengths

Experienced and established track record of partners

CCOLLP was established 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. Partners are supported by team of qualified professionals in managing operations of the firm. Firm is able to receive adequate orders through promotor's established relationships with customers in the segment. Acuite believes that firm will continue to benefit from its experienced partners and their established track record in the industry.

Improvement in Revenue and Profitability

CCOLLP has booked revenue of Rs. 64.64 Cr. in FY2024 as against Rs. 1.69 Cr. in FY2023 as the firm's manufacturing plant was partially operational since December 2022 and is fully operational from July 2023. The firm has achieved revenue of Rs. 67.25 Cr. as on 31st October 2024 and is expected to book revenue of Rs. 125.00 Cr. in FY2025. The firm's operating profit stood at Rs.10.54 Cr. and operating margin stood at 16.30 percent in FY2024. Going forward, operational profits are expected to in range of 10 to 11 percent. The PAT margin stood at 0.33 percent in FY2024. Going forward, the firm's ability to further improve on its scale of operations and its profitability levels will be a key rating monitorable.

Comfortable financial risk profile

Firm's financial risk profile is comfortable marked by average gearing ratio, comfortable debt protection metrics and average net worth. Firm's net worth has improved and stood at Rs. 34.12 Cr. as on March 31st, 2024, as against Rs. 23.70 Cr. as on March 31st, 2023, due to infusion of capital from the partners. The Partners are committed to maintain capital account balance of Rs.14.62 Cr. and the unsecured loan are subordinated to bank loan and shall not withdraw during the currency of the loan, therefore firm has converted its unsecured loan of Rs.19.50 Cr. into quasi equity and undertaking has been received for the same. Firm's has total debt of Rs. 62.03 Cr. as on March 31, 2024, consisting of Long term loan of Rs 23.70 Cr. and short-term debt of Rs. 38.32 Cr. The gearing ratio stood at 1.82 times as on March 31, 2024, as against 1.31 times as on March 31, 2023. The firm's interest coverage and debt service coverage ratio stood at 2.73 times as on March 31, 2024. Acuite believes that the financial risk profile of the group is likely to remain comfortable in medium term on account of no major debt funded capacity expansion.

Weaknesses

Limited operational track record

CCOLLP established in December 2019 and partially commenced operations in December 2022 and is fully operational from July 2023, thus firm has limited operational track record of ~ 2 years in chemical industry.

Working capital intensive nature of operations

Firm's operations are working capital intensive in nature as reflected by GCA days of 369 days in FY2024. GCA days are majorly driven by inventory days of 248 days in FY2024. The debtor days stood at 51 days and Creditor days stood at 91 days in FY2024. Average bank limit utilisation stood at 71.05 percent for 6 months ending September 2024. Acuite believes that working capital operations of the company continue to remain intensive over the medium term.

Susceptibility of profit margins to fluctuating raw material prices in a highly competitive and fragmented Industry

The imports account for about 30% of total purchases, and the rest is domestic. About 70% of imports are sourced from China. The volume and source of imports are subject to market dynamics and specific requirements. The company uses forward contracts as hedging mechanisms. 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.

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 partner's capital or quasi capital

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligation. The firm generated the net cash accruals of Rs. 6.71 Cr. in FY2024 against no maturing debt obligation in the same period. Firm's cash accruals are expected to range between Rs. 7.86 Cr. to Rs. 11.36 Cr. in FY2025-2026 against repayment obligation ranging between Rs. 3.74 Cr. to Rs. 5.18 Cr. during the same period. Firm's current ratio

stood at 1.23 times as on March 31st, 2024. Average bank limit utilisation stood at 71.05 percent for 6 months ending September 2024.

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

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	64.64	1.69
PAT	Rs. Cr.	0.22	(3.05)
PAT Margin	(%)	0.33	(180.05)
Total Debt/Tangible Net Worth	Times	1.82	1.31
PBDIT/Interest	Times	2.73	645.45

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Sep 2023	Letter of Credit	Short Term	3.00	ACUITE A4 (Assigned)
	Term Loan	Long Term	20.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	6.50	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	10.50	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE BB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A4+ Upgraded (from ACUITE A4)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2029	5.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	17.75	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	5.25	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)

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