

## Aimco Pesticides Limited

October 06, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	16.00	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Assigned
Short Term Bank Facilities	9.00	CARE A3 (A Three)	Assigned
Total Facilities	25.00 (Rs. Twenty-Five Crore Only)		

*Details of instruments/facilities in Annexure I below*

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Aimco Pesticides Ltd (APL) derive strength from extensive experience of the promoters in agrochemicals industry, diversified revenue stream with presence across agrochemical value chain and established customer base.

The ratings however are constrained by modest scale of operations with low profit margins, working capital intensive nature of operations with high dependence on creditors. The ratings are also tempered by susceptibility of profitability margins to fluctuation in input prices and risks inherent in domestic agrochemical industry also exposed to intense competition.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations beyond Rs.500 crores along with sustained operating margin above 7%.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in scale of operations below Rs. 200 crore and PBILDT margin below 4% on consistent basis.
- Any ban on key molecules of the company
- Significant debt funded capex

**Outlook:** Stable

### Detailed description of the key rating drivers

#### Key rating strengths

**Extensive experience of promoters in agrochemical industry:** Aimco Pesticides Limited (APL) is a diversified player in the Agrochemicals space. The promoter Mr. Pradeep P Dave have more than four decades of experience in the pesticides Industry and serves as the President of Pesticides Manufacturers & Formulators Association of India (PMFAI). He also gets supports from other directors having 20+ years' experience who looks after various aspects of the company.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

**Diversified revenue stream with presence across agrochemical value chain**

The company is into manufacturing, marketing & exporting technical grade chemicals & formulations of Insecticides, Fungicides and Herbicides. The revenue to the extent of 60% is from exports. The product portfolio consists of 11 technical grade chemicals, 90+ formulations, 300+ branded SKUs. Technical constitute 70% of the total sales, whereas formulations & trading contributes 24% & 6% of the total turnover respectively in FY22. The company has obtained license/registrations for 200+ products & expects to grow over a period.

**Wide distribution network**

The company has established a wide distribution network with over 677 dealers/distributors spread across 8 states in India namely West Bengal, Odisha, Tamil Nadu, Gujarat, Maharashtra, Rajasthan & Andhra Pradesh. Further, the company is a good player in the global market exporting to around 45 countries, naming a few would be Australia, Malaysia, USA, Brazil, Africa & others.

**Diversified customer base with track record of repeat business**

The company has a diversified customer profile with top ten customers contributing to 69% of the total revenue during FY22 (PY 49%). The company has established long-term relationships with most of its customers resulting into repeat business.

**Comfortable capital structure along with solvency indicators**

The company has low reliance on external borrowings to fund the working capital requirements. In the past the company had availed short term loan from Aditya Birla Finance which was repaid. Thus, the capital structure and coverage indicators are comfortable. The future capex is expected to be funded by internal accruals.

**Key rating weaknesses****High dependence on imports from China**

The company sources significant quantity of raw materials from China. Further, it is dependent on China for few of its end products which is completely manufactured using imported raw material. The company wants to shift its reliance from China & depend more on local sources. Thus, the company is exposed to concentration risk. Any significant disruption in supply from China can have an adverse impact on the company's operations, though company is finding substitutes from local markets to cater it requirements for raw materials to avoid this.

**High working capital intensity**

The operations of the company are working capital intensive in nature. Since half of the raw material requirements are imported the company has to maintain inventory of around 3-4 months. Further given the seasonality of the sales, the company is required to maintain high finished goods inventory at the beginning of the kharif and rabi seasons. The inventory period however has improved from 133 days in FY21 to 91 days in FY22. The average creditor period remains high at 110 days in FY22 (PY: 147 days) as the company gets clean credit of 90-120 days from its suppliers. The operating cycle is low due to late payment to creditors. The company had managed to fund its working capital gap by internal accruals and stretching the creditors.

**Low profitability due to limited value addition**

The company is mainly involved in manufacturing of technical products which is a low margin business as compared to branded formulation business. The company is also exposed to volatility in input prices and has limited pricing power. The PBILDT margins have remained in the range of 4-5% in the past. The margins are expected to improve marginally to 6% over the projected period.

**Exposure to risks inherent in the domestic agrochemicals market**

The demand for agrochemicals is driven by agricultural production, which depends on monsoon. A substantial area under cultivation in India is still not well irrigated and depends on the monsoon for water requirement. Surplus or inadequate rainfall could affect the domestic revenue and profitability of APL. Furthermore, the agrochemicals industry is regulated by specific and separate registration processes in different countries. Changes in the export

and import policy of these countries will affect Indian agrochemical exporters. Ban on any key molecules will also be monitorable.

**Liquidity:** Adequate

The liquidity position of the company is adequate with no term loan and minimal reliance on external debt to fund working capital requirement. The current ratio of the company is 1.21x for FY22. The company has cash balance of 3.76 Crores as on 31<sup>st</sup> March 2022.

The operating cycle remains comfortable at 19 days in FY22 mainly driven by stretched creditor days. The company funds its working capital requirement through internal accruals & by stretching its creditors.

**Analytical approach:** Standalone

**Applicable criteria**

[Policy on default recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology – Pesticides company](#)

[Manufacturing Companies](#)

[Financial ratios – Non-financial sector](#)

**About the company**

Founded in 1987 by Mr. Pradeep Dave & JP Dave, Aimco Pesticides Limited is a diversified agrochemical company that manufactures, markets, and exports technical grade chemicals & formulations of insecticides, fungicides, and herbicides. The company predominantly focuses on technical grade chemicals with the same contributing around 70% of total revenue in FY22. Formulations contribute around 24% of total revenue in FY22. The technical chemicals are mostly exported (around 60% of total sales are exported) and the major export destinations are Australia, Malaysia, USA, Brazil, and Africa. The company operates out of one manufacturing unit located at Lote Parshuram, Ratnagiri in the state of Maharashtra with installed capacity of 18,500 MT per annum.

AIMCO Pesticides Limited has been listed with the Bombay Stock Exchange since 27th March, 2000. As on March 31, 2022, the Company has three wholly owned subsidiary companies viz. Aimco Ecoscience Limited, Aimco KR Agro Private Limited and Aimco International FZE.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	178.56	312.51	70.57
PBILDT	9.74	18.58	5.04
PAT	2.27	10.54	2.75
Overall gearing (times)	0.28	0.00	NA
Interest coverage (times)	2.22	12.60	NA

A: Audited

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company: Annexure-4**
**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (MM-YY)	Coupon Rate (%)	Maturity Date (MM-YY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	16.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Term loan		-	-	2023	2.50	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	1.00	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	5.50	CARE A3

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	16.00	CARE BBB-; Stable / CARE A3				
2	Fund-based - ST-Term loan	ST	2.50	CARE A3				
3	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A3				
4	Non-fund-based - ST-BG/LC	ST	5.50	CARE A3				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities-NA**
**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - ST-Term loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Forward Contract	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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