

## Aimco Pesticides Limited

September 29, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	16.00	CARE BB+; Stable / CARE A4+	Reaffirmed
Long Term / Short Term Bank Facilities	8.00	CARE BB+; Stable / CARE A4+	Revised from CARE A4+
Short Term Bank Facilities	1.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Aimco Pesticides Ltd (APL) continue to be constrained by modest scale of operations with low profit margins, working capital intensive nature of operations. The ratings are also tempered by susceptibility of profitability margins to fluctuation in input prices and risks inherent in agrochemical industry also exposed to intense competition.

Indian crop-protection industry was facing challenging times since the second half of FY23. The players catering to the export market were more affected. Destocking at the customer level, higher inventories within trade channels, declining prices of agrochemicals and raw materials, and subdued demand in various markets was the major reason for the subdued industry scenario. APL has incurred losses in Q4FY23 and Q1FY24. However, things have stabilized from Q2FY24. The company has written off the entire high-cost inventory, raw material prices have stabilized.

The ratings are however supported by from extensive experience of the promoters in agrochemicals industry, diversified revenue stream with presence across agrochemical value chain and established customer base.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations above Rs.300 crores along with sustained operating margin above 7%.

#### Negative factors

- Decline in scale of operations below Rs. 200 crore and PBILDT margin below 2% on consistent basis.
- Significant deterioration in liquidity position of the company
- Significant debt funded capex.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Edge believes that the performance of Aimco Pesticides Limited (APL) will remain subdued in FY24 with recovery in FY25.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### 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.

#### 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 deteriorated in FY23 as compared to FY22. The average creditor period remains high 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 and utilisation of working capital funds.

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

### 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 its requirements for raw materials to avoid this.

### Low profitability due to limited value addition

The company is mainly involved in manufacturing of technical products & branded formulations. Technical products is a low margin business as compared branded formulations. In FY23 & going forward, the company is planning to shift its focus on branded formulations. The company is exposed to volatility in input prices and has limited pricing power. The company has incurred PAT loss for FY23 of Rs. 2.01 crores. The PBILDT margins had remained in the range of 4-5% in the past which has declined to 1.59% for FY23 due to weak demand environment coupled with high channel inventory in key markets further impacted product placements and exerted pressure on realizations. The margins are expected to improve marginally in FY24 vis a vis FY23 on account of recovery in the industry over the period with APL adopting the strategy to stock less inventory.

### Key strengths

#### Extensive experience of promoters in agrochemical industry

Aimco Pesticides Limited 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.

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

The company has a diversified customer profile with top ten customers contributing to more than 50% of the total revenue during FY23. The company has established long -term relationships with most of its customers resulting into repeat business.

### Liquidity: Stretched

The liquidity position is stretched with cash and liquid investments of Rs.0.74 crores as on date (July-23). The utilization of fund-based limits was around 88% as on month ended August 23 and provides limited backup. The company experienced inventory write-down leading to losses in FY23 as well as Q1FY24, however from Q2FY24, the company expects to generate modest profits, these moderate profits along cash balance of the company together would be sufficient to meet its repayment obligations in FY24.

### Assumptions/Covenants: Not Applicable

### Environment, social, and governance (ESG) risks: Not Applicable

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

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 59% of total revenue in FY23. Formulations contribute around 29% of total revenue in FY23. The technical chemicals are mostly exported (around 50% 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.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24
Total operating income	312.51	207.13	46.30
PBILDT	18.58	3.16	-6.3
PAT	10.54	-2.01	-5.94
Overall gearing (times)	0.00	0.32	NA
Interest coverage (times)	12.60	1.31	NA

NA: Not Available; A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

#### Status of non-cooperation with previous CRA: Not Applicable

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	16.00	CARE BB+; Stable / CARE A4+
Fund-based/Non-fund-based-LT/ST		-	-	-	2.50	CARE BB+; Stable / CARE A4+
Fund-based/Non-fund-based-LT/ST		-	-	-	5.50	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	1.00	CARE A4+

**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 2023-2024	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	16.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (20-Jul-23)	1)CARE BBB-; Stable / CARE A3 (06-Oct-22)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	2.50	CARE BB+; Stable / CARE A4+	1)CARE A4+ (20-Jul-23)	1)CARE A3 (06-Oct-22)	-	-
3	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A4+	1)CARE A4+ (20-Jul-23)	1)CARE A3 (06-Oct-22)	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	5.50	CARE BB+; Stable / CARE A4+	1)CARE A4+ (20-Jul-23)	1)CARE A3 (06-Oct-22)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	Non-fund-based - ST-Forward Contract	Simple

**Annexure-5: Lender details**

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

**Note on the 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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### About us:

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