Best Agrolife Limited

September 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Negative / CARE A3 and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB; Negative/CARE A3' [Triple B; Outlook: Negative/ A Three] assigned to the bank facilities of Best Agrolife Limited (BAL) with immediate effect. The above action has been taken at the request of BAL and the 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The ratings have been reaffirmed on account of the vast experience of the promoters in the agrochemical industry along with long track record of operations, integrated operations of the group with diversified product portfolio and wide distribution network. Further, the ratings also factor in the change in business model with increased focus on specialized products as compared to generic products. However, these strengths are offset by weak operational performance during FY24 (refers to April 01 to March 31) owing to muted demand across the industry exerting pressure on both revenues and profitability. The moderation in profitability in FY24 has also weakened debt coverage metrics and substantial increase in the inventory levels led to further elongation in the operating cycle. Further, the ratings remain constrained on account of working capital-intensive operations, elevated debt level which is expected to increase further owing to proposed brownfield capex for expansion and working capital requirements, and exposure to agroclimatic conditions along with highly competitive nature of the agrochemicals industry.

Analytical approach: Consolidated

A consolidated approach has been adopted on account of common management, operational and financial linkages between the company and its subsidiaries. A list of subsidiaries as of March 31, 2024, has been provided in Annexure 6.

Outlook: Negative

The "Negative" outlook is assigned due to the potential for a longer-than-anticipated demand recovery, which may exert additional pressure on the group's profitability. Additionally, debt levels are expected to remain elevated on account of brownfield capital expenditure and working capital-intensive operations.

Detailed description of the key rating drivers:

On June 04, 2024, following rating weaknesses and strengths were listed. CARE Ratings has updated for latest financials available.

Key strengths

Established track record of operations and experienced management

Best Agrolife was incorporated in the year 1992 and is currently promoted by Mr. Vimal Kumar (Managing Director) who has a vast experience in the agrochemical industry for more than 20 years and oversees the strategy, management, development, integration, and overall business growth. The company has an experienced second line of management, having extensive experience in the agrochemical industry**.**

Diversified product portfolio with growing distribution network

The group has a well-diversified product profile, which includes insecticides, pesticides, herbicides, plant-growth regulators (PGR) and biocides. The company currently has licenses of over 250+ formulations registered with the Central Insecticide Board (CIB). PGRs and bio fertilizers have a higher profit margin compared to traditional chemicals. The group is focusing more on trading and manufacturing of specialized agrochemicals as they have better margins. The group's distribution network has been increasing across the country with more than 6000+ distributors and BAL has 18 depots as of March 31, 2024. Along with the increased distribution network, the group has also been concentrating on field promotions to reach out to farmers.

Additionally, the company has also acquired 100% stake in Sudarshan Farm Chemicals India Private Limited (SFC) at an enterprise value of Rs 139 Cr in March 2024. The actual cash outflow would be around Rs 9.50 crore after adjusting for net working capital.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The rationale behind this acquisition is to capitalize on SFC's R&D capability, Intellectual Property (IP) portfolio, and backward-integrated technical manufacturing expertise. Further, SFC has a dealer network of 2500 dealers which will facilitate BAL's inorganic growth initiatives.

Key weaknesses

High reliance on external debt

The total debt of the group increased from Rs 568 Cr as on March 31, 2023, to Rs 636 Cr as on March 31, 2024, on account of increase in working capital borrowings. The increase in working capital borrowings is exacerbated by the strategic shift in the group's product portfolio towards patented products to ramp up its operations. The operations of the group remain working capital intensive in nature mainly driven by the increase in the inventory and debtor levels. The same is on account of acquisition of Sudarshan Farm Chemical India Private Limited (SFC) during the last week of the fiscal year 2024 which led to consolidation of its assets and liabilities in FY24 balance sheet, however no transactions were added in profit and loss account pertaining to SFC. The inventory level increased to Rs 958 Cr as on March 31, 2024 (PY: Rs 708 Cr) as most of the sales are made in first half of the fiscal due to which inventory peaked and on account of high channel inventory due to supply surge from China affecting company's turnover.

Stagnant growth in scale of operations along with moderate profitability margins

During FY24, the group has reported weak operational performance owing to muted demand across the globe, high channel inventory, seasonal failure during the second half of the fiscal and high marketing and employee expenses. The total operating income of the group increased by a mere 7% from Rs. 1748 Cr in FY23 to Rs 1873 Cr in FY24 which reflects significant underachievement against the projected scale of operations. The same has been largely on account of high competition from imports, especially pricing pressure from China, and challenges posed by adverse weather conditions. However, the group has increased its focus on branded products which have comparatively better margin. The branded business has shown growth of more than 85% from around 450 crores to 850 crores in FY24. Further, the PBILDT margin of the group moderated and stood at 12.04% in FY24 (PY: 18.08%) owing to continued macro-economic headwinds in Agrochemical industry which led to sharp drop in realizations and excess channel inventory due to a huge supply surge from China. Moreover, the group's employee and marketing costs increased as part of its intensified focus on branded products, necessitating the addition of new dealers and increased promotional expenses. However, the company has net CFO (Cash flow from operations) of Rs 35.52 crore as against negative net CFO of Rs 180.45 crore in FY23.

Financial risk profile

The debt coverage indicators moderated during FY24, marked by interest coverage ratio of 3.61x for FY24 (PY: 8.14x) and total debt to GCA (Gross Cash accruals) of 4.88x as on March 31, 2024 (PY: 2.68x), owing to moderation in profitability margins. The capital structure of the group stayed moderate as marked by overall gearing of 1.07x as on March 31, 2024, as compared to 1.17x as on March 31, 2023. The group reported an increase in debt to Rs. 636.60 Cr as on March 31, 2024 (PY: Rs. 567.93 Cr), in the form of working capital borrowings due to an increase in the inventory as on March 31, 2024. The group has plans to incur a debt funded brownfield capex of ~Rs. 200 Cr for technical manufacturing unit over the medium term in order to backward integrate to improve operational efficiencies.

Exposure to agroclimatic conditions

The pesticide industry derives its sales from the agriculture sector which is highly dependent upon monsoons as well as incidence of fungal/pest attack on crops. The sales and profitability of the pesticides industry depends largely on the prevalent agroclimatic conditions. However, the group has its presence spread across 22 states as well as in multiple markets (domestic and international) which reduces the group's dependence on climatic conditions of a particular region. The domestic demand for agrochemicals is expected to be moderated during first half of the fiscal mainly on account of supply surge from China. However, with favorable agronomical conditions such as good moisture in the soil and adequate water levels in reservoirs which bodes well for the winter crop/Rabi season and the government propagating the development of the agricultural sector and with the recent proposals under the 'Atmanirbhar Bharat' package pertinent towards the upliftment of the agrarian economy focused on boosting agriculture and its allied sectors (by strengthening its infrastructure and logistics), the demand for agrochemicals seems sanguine.

Liquidity: Adequate

The liquidity of the group is adequate as marked by high utilization of working capital limits of around 80% in the previous 12 months ending April 2024. Further, the operations of the group remain working capital-intensive in nature, as evidenced by the stretched operating cycle of 164 days in FY24. However, the cash balance stood at Rs 32.94 Cr as of March 31, 2024. The current ratio of the group remains above unity at 1.21x as of March 31, 2024. The group has relied on working capital borrowing to fund the incremental gap, and the operational cash flow has been modest, which has kept the utilization level high. Going forward, the impact of the planned capital expenditures on liquidity and the collection efficiency during forthcoming period to ease liquidity amidst elevated debt level will be a key monitorable.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Pesticides & Agrochemicals](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Fertilizers & Agrochemicals	Pesticides & Agrochemicals

Incorporated in 1992, Best Agrolife Limited is a public limited listed company, engaged in the trading of agrochemical products such as insecticides, pesticides, herbicides, fungicides, and plant nutrients. The company's crop protection chemical products are sold through distributors and co-marketing alliances with leading Indian companies throughout the country. It has almost 60+ products, 80+ technical licenses, 360+ formulation licenses, 30,000+ MTPA manufacturing formulation capacity and a 7000+ MTPA integrated state-of-the-art technical plant, one of the country's most comprehensive portfolios. The merger of Best Agrochem Private Limited (Transferor Company) with Best Agrolife Limited (formerly Sahyog Multibase Limited) consummated on 05 May 2020. This was a reverse merger, and Sahyog Multibase Limited was a sick unit. Best Agrolife Limited was listed on the BSE /NSE on 05 May 2020. Group company Best Crop Science LLP was converted to Best Crop Science Private Limited on 28 August 2021 and was subsequently taken over by Best Agrolife Limited as a 100% subsidiary and Seedlings India Private Limited was established in February 2021 as a 100% subsidiary of Best Agrolife Limited. Further, the company has also acquired Sudarshan Farm Chemical India Private Limited, which specializes in R&D and has various patented products.

Consolidated financials:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	1748.14	1873.31	522.27
PBILDT	316.12	225.59	57.61
PAT	192.15	106.27	21.27
Overall gearing (times)	1.17	1.07	NA
Interest coverage (times)	8.14	3.61	3.69

Standalone financials:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	1,509.92	1,798.36	362.81
PBILDT	96.00	62.49	41.81
PAT	47.08	13.46	22.02
Overall gearing (times)	0.81	0.97	NA
Interest coverage (times)	4.01	1.45	3.88

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

Q1FY25: refers to April 01 to June 30.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	0.00	Withdrawn
Fund-based/Non-fund-based-LT/ST		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	-	-	1) CARE BBB; Negative / CARE A3 (23-Sep-24) 2)CARE BBB; Negative / CARE A3 (04-Jun-24) 3)CARE BBB+ / CARE A2 (RWN) (29-Apr-24)	1)CARE BBB+ / CARE A2 (RWN) (23-Oct-23) 2)CARE A-; Stable / CARE A2+ (06-Sep-23)	1)CARE A-; Stable / CARE A2+ (06-Oct-22)	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	1) CARE BBB; Negative / CARE A3 (23-Sep-24) 2)CARE BBB; Negative / CARE A3 (04-Jun-24) 3)CARE BBB+ / CARE A2 (RWN) (29-Apr-24)	1)CARE BBB+ / CARE A2 (RWN) (23-Oct-23) 2)CARE A-; Stable / CARE A2+ (06-Sep-23)	1)CARE A-; Stable / CARE A2+ (06-Oct-22)	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Demand loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Best Crop Science Private Limited	Full	Subsidiary
2	Seedlings India Private Limited	Full	Subsidiary
3	Best Agrolife Global	Full	Subsidiary
4	Sudarshan Farm Chemicals India Private Limited	Full	Subsidiary
5	M/s Kashmir Chemicals	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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