

Aimco Pesticides Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00 (Reduced from 5.50)	CARE BB; Stable	Reclassified LT / ST facilities to LT; LT rating reaffirmed
Long Term / Short Term Bank Facilities	21.00 (Enhanced from 18.50)	CARE BB; Stable / CARE A4	Reaffirmed
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 Pesticide Ltd continue to be constrained by modest scale of operations, low profitability due to limited value addition, working capital intensive nature of operations, exposure to competition and susceptibility to regulatory changes and seasonality inherent in the agrochemicals sector.

The ratings are however supported by 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 beyond Rs.250 crores along with sustained operating margin above 3%
- Improvement in liquidity position

Negative factors

- Decline in scale of operations below Rs. 200 crore and continued operating losses
- Any ban on key molecules of the company
- Further deterioration in liquidity position and significant increase in debt.

Analytical approach: Standalone
Outlook: Stable

CARE Edge believes that the company will continue to benefit from its established market position and diverse product profile.

Detailed description of key rating drivers:
Key weaknesses
Cash losses reported in FY24

The Gross Cash Accruals (GCA) in FY24 was Rs -8.91 crores as compared to Rs 0.90 crores in FY23. The profitability in FY24 was affected as APL had faced intense competition from Chinese products and demand declined owing to increased channel inventory. However, the quantum of losses has reduced in Q1FY25 as compared to Q4FY24. The domestic formulation market which contributed around 49% of total income for the company in FY24 is expected to do well in FY25. Thus, from Q3FY25 onwards the performance of the company is expected to improve.

High working capital intensity

The operations of the company are working capital intensive in nature. Since around 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 FY24 to 109 days as compared to 144 days in FY23. 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, stretching the creditors and utilisation of working capital funds.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited'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 FY24 & 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.

Exposure to competition, regulatory changes and seasonality in the agrochemicals sector

The domestic agrochemical formulations industry has numerous organised and unorganised players. As the company is into generic molecules, it faces intense competition from organised as well as unorganised players in the domestic market. Also, the domestic agrochemicals sector is dependent on monsoon and the level of farm income. The business of the company like other agrochemical manufacturers, may also be impacted by regulatory changes, such as export and import policies, registration policies and product and environment safety requirements. In the export market also, the company remains susceptible to various environmental rules and regulations in different countries

Key strengths

Extensive experience of promoters in agrochemical industry

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 FY24. The company has established long -term relationships with most of its customers resulting into repeat business. Further, in FY25 APL has started manufacturing of 3 new molecules. The addition of these molecules to its product portfolio will enable APL to increase its revenue and report better profitability as they are not supplied by the Chinese players on a large scale.

Liquidity: Stretched

The company's liquidity is stretched owing to cash losses in FY24, term loan repayment obligation and high working capital utilisation. In FY24 APL reported cash losses of Rs 8.91 crores. The average utilisation of its cash credit facility (Rs 8 crores) was ~96% and for EPC/PCFC facility (Rs 13 crores) it was ~72% for the last 12 months ending August 2024. As on March 31,2024 APL had cash/bank balance of Rs 3.08 crores. Further, in the projected period FY25 to FY26 APL is expected to report annual GCA of around Rs. 2 crores against the annual term loan repayment of Rs 1.64 crores.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic 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 51% of total revenue in FY24. 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, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	206.66	207.42	39.78
PBILDT	2.71	-7.22	-0.37
PAT	-2.01	-9.79	-1.55
Overall gearing (times)	0.32	0.58	NA
Interest coverage (times)	1.13	-2.73	NA

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

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/Non-fund-based-LT/ST		-	-	-	16.00	CARE BB; Stable / CARE A4
Fund-based/Non-fund-based-LT/ST		-	-	-	5.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-Forward Contract		-	-	-	1.00	CARE A4
Term Loan-Long Term		-	-	FY27	3.00	CARE BB; Stable

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/Non-fund-based-LT/ST	LT/ST	16.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Jun-24)	1)CARE BB+; Stable / CARE A4+ (29-Sep-23) 2)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	5.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Jun-24)	1)CARE BB+; Stable / CARE A4+ (29-Sep-23) 2)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 (06-Jun-24)	1)CARE A4+ (29-Sep-23) 2)CARE A4+ (20-Jul-23)	1)CARE A3 (06-Oct-22)	-
4	Term Loan-Long Term	LT	3.00	CARE BB; Stable	1)CARE BB; Stable / CARE A4 (06-Jun-24)	1)CARE BB+; Stable / CARE A4+ (29-Sep-23) 2)CARE A4+ (20-Jul-23)	1)CARE A3 (06-Oct-22)	-

LT: Long term; ST: Short term; 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/Non-fund-based-LT/ST	Simple
2	Non-fund-based - ST-Forward Contract	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

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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