

## Advance Agrolife Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	92.09 (Enhanced from 47.56)	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	6.00 (Enhanced from 2.42)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Advance Agrolife Limited (AAL) continue to derive comfort from the vast experience of promoters in the pesticides and agrochemical industry, diversified product profile, established marketing network and renowned customer base. Ratings also factor in its comfortable capital structure and debt coverage indicators and growing scale of operations.

However, ratings are constrained considering moderate profitability, concentrated customer base, and its presence in a competitive industry and vulnerability of income and profitability to climatic conditions, and stringent pollution norms of the industry.

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

#### Positive factors

- Growth in scale of operations marked by total operating income (TOI) of over ₹600 crore while maintaining current profit before interest, lease rentals, depreciation and taxation (PBILDT) margin at 6.00% or more.
- Improvement in capital structure marked by overall gearing below 0.50x.

#### Negative factors

- Decline in scale of operations with TOI falling below ₹300 crore and PBILDT margins below 5.00% on sustained basis.
- Debt funded capex leading to deterioration in capital structure marked by overall gearing above unity.

### Analytical approach: Standalone

#### Outlook: Stable

The outlook on the long-term rating of AAL is "Stable" considering that the company shall continue to benefit from the extensive experience of its promoters, which will enable it to sustain stable operating performance in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced management

The company's overall affairs are managed by Om Prakash Choudhary and Kedar Choudhary, who have vast experience of over two decades in the industry. They look after the company's overall operations. The management is supported by well-qualified and experienced team of professionals.

##### Diversified product profile and established marketing network

AAL has a long track record of over two decades in manufacturing across categories of pesticides formulation (fungicide, insecticide, herbicide) in the form of granule, liquid, dust, and wettable powder across sizes per customer requirement. The pesticide plant mainly specialises in agrochemicals for large organisation. The company generates ~30-35% of its TOI from B2C segment and balance through B2B segment, which includes major fertilizer/pesticide players. In domestic market, AAL caters to reputed clients and have long-standing relationship with them for B2B sales. With long track record of operations, the company has established over 3000 distributors spread across India. It also exports agrochemical to neighbour countries with export forming 6% of TOI in FY24.

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

### Growing scale of operations

The scale of operations marked by TOI grew at a compound annual growth rate (CAGR) of ~30% in the last five years ended FY24 primarily considering healthy demand from domestic and export markets resulting in growth in sales volume. Scale of operations marked by TOI grew at ~15% over FY23 attributable to better demand scenario. AAL reported TOI at ₹456.81 crore in FY24 against ₹397.31 crore in FY23. In 9MFY25, AAL reported TOI of ₹417.67 crore.

### Comfortable capital structure and debt coverage indicators

AAL's capital structure stood comfortable with an overall gearing of 0.59x as on March 31, 2024, from 0.49x as on March 31, 2023. Marginal deterioration is considering higher debt owing to higher utilisation of working capital limits and higher term debt availed for debt-funded capex. However, going forward with no major capex envisaged, overall gearing is expected to remain comfortable. Debt service coverage indicators also stood comfortable with Total debt to gross cash accruals (TD/GCA) of 1.60x as on March 31, 2024. Its interest coverage stood comfortable at 12.33x in FY24 against 10.78x in FY23.

### Key weaknesses

#### Moderate profitability

AAL's operating margin marked by its PBILDT margin have remained moderate in the range of 6-9% in last five years ended in FY24 mainly considering low value addition involved in the business and high competition in fragmented nature of industry. The company's PBILDT margin remained moderate at 8.87% in FY24 against 6.32% in FY23. Sequential improvement is considering lower cost of raw material. As a result, profit after taxation (PAT) margins also improved to 5.51% in FY24 against 3.85% in FY23.

#### Reputed but concentrated customer base

The company's clientele is concentrated as AAL generates ~54% of its income from top 10 customers in FY24 (PY: 49%). This increases its dependency on orders received from limited customers in the highly competitive agrochemicals industry, which is partly mitigated as it has reputed clientele with established relationship.

#### Competitive nature of the industry with income and profitability vulnerable to climatic conditions

The pesticides and insecticides industry is marked by heavy fragmentation with the absence of major player having sizeable market share. Intense competition leads to competitive pricing and lower margins. The industry also faces regulatory risk due to prohibited usage of certain molecules. Sales and profitability of pesticide segment depends highly on climatic conditions prevalent in domestic and international markets as the demand for pesticides emanates from agricultural production, which depends heavily on monsoons.

#### Stringent pollution norms of the industry

AAL is exposed to inherent regulatory risk considering the requirement of continuous adherence to stringent pollution control norms. The Central Pollution Control Board (CPCB) regulates general standards for emission or discharge of environmental pollutants of carbon chemical industry.

#### Liquidity: Adequate

The company's liquidity profile remained adequate marked by sufficient cash accruals against low debt repayment, moderate liquidity ratios, operating cycle and working capital utilisation. It is expected to generate GCA of ~₹31-34 crore in near term against its debt obligation of ₹3-4 crore per annum. Current ratio and quick ratio stood moderate at 1.31x and 0.95x respectively as on March 31, 2024, against 1.35x and 0.96x as on March 31, 2023. The company utilises ~74% its working capital limit for 12 months ended December 2024. Operating cycle remained at 47 days in FY24 (PY: 41 days). Being engaged into agrochemical industry, which is depend on the agro industry, the company allows credit period of 45-120 days to its B2B customers and credit period of 90 days to its distributors in B2C segment. Due to numerous types of finished goods, inventory holding period stood moderate at 39 days in FY24. However, the company also gets credit period of ~60 days from its suppliers due to which, operating cycle remained moderate.

#### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[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 2002, Jaipur (Rajasthan) based AAL (CIN - U24121RJ2002PTC017467) was incorporated by Choudhary family. AAL is engaged in manufacturing pesticides formulation, fertilizer, and plant stimulant. The company has manufacturing units at RIICO Industrial Area Bagru, Jaipur. AAL manufactures pesticides formulation (Such as fungicide, insecticide, herbicide) in the form of granule, liquid, dust, and wettable powder across sizes per customer requirement. AAL also manufactures different grades of Sulphur formulations with total installed capacity of 54,720 Metric Ton Per Annum (MTPA).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (P)
Total operating income	397.31	456.81	417.67
PBILDT	25.11	40.50	NA
PAT	15.28	25.15	
Overall gearing (times)	0.49	0.59	
Interest coverage (times)	10.78	12.33	

A: Audited P: Provisional 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 - LT-Cash Credit		-	-	-	70.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	31/05/2031	22.09	CARE BBB; Stable
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A3+

**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-Cash Credit	LT	70.00	CARE BBB; Stable	-	1)CARE BBB; Stable (16-Feb-24)	1)CARE BBB-; Stable (26-Dec-22)	-
2	Fund-based - LT-Term Loan	LT	22.09	CARE BBB; Stable	-	1)CARE BBB; Stable (16-Feb-24)	1)CARE BBB-; Stable (26-Dec-22)	-
3	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A3+	-	1)CARE A3+ (16-Feb-24)	-	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**To view 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](mailto:care@careedge.in) for clarifications.

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