Indogulf Cropsciences Limited

March 31, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable (Triple B; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3 (A Three) and Withdrawn
Total Bank Facilities	**0.00 (Rs. Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB; Stable/CARE A3' [triple B; Outlook: Stable/ A Three] assigned to the bank facilities of Indogulf Cropsciences Limited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

The reaffirmation of the ratings assigned to the bank facilities of ICL takes into account long-standing experience of the promoters in the pesticide industry and established track record of operations, comfortable financial risk profile, moderate overall gearing and adequate liquidity position. The ratings further derive strength from its wide range of products and strong distribution network. However, these rating strengths are partially offset by working capital intensive operations, foreign currency fluctuation risks, regulatory risks, competitive and fragmented industry structure and high dependence on climatic conditions.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with long track record of operations in agro-chemical industry: Mr. Om Prakash Aggarwal (Founder Chairman and Managing Director of the company) has more than two decades of experience in Agro-Chemical industry. The company started modest operations with fully automatic plant of zinc sulphate located in Nathupur, Haryana. The company under the guidance and supervision of Mr. Aggarwal established technical pesticide manufacturing unit in Haryana in 1996. Subsequently over the years, the company has set up a pan India marketing network, forayed into international market with exports and widened the product offering with new product registrations.

Comfortable financial risk profile:

During FY21, total operating income registered degrowth to Rs 442.95 crore from Rs 517.87 crore in FY20 owing to disruptions caused due to Covid-19. The PBILDT margin at 8.86%, however, remained largely in line with FY20 level of 7.40%. Decrease in debt to Rs 78.61 crore as on Mar 31, 2021 from Rs 91.64 crore as on Mar 31, 2020, coupled with increase in net worth to Rs 152.75 crore from Rs 129.97 crore has led to improvement in gearing to 0.51x from 0.71x. Interest cover continued to remain healthy at 7.97x in FY21 (PY: 7.82x)

Wide product portfolio and distribution network:

The Company caters to a wide range of diversified pesticides (technical and formulations) in insecticides, Fungicides, Herbicides and Plant Growth Regulators (PGR). The company has product registration for around 476 formulations for domestic market, 30 technical manufacturing licenses and 167 for exports, besides other licenses in various stages of approval in the international market. The company has pan India presence through 23 branches which distributes the product through a network of more than 3000 distributors. The sales through distributors/dealers account for 60% of the total revenues. The balance 40% are supplied to the end-user directly like technical and formulation which is an intermediate product for these companies which include, Ravi organics Limited, Insecticides India Ltd etc. ICL also exports to countries like Ethiopia, Pakistan, Bangladesh, Egypt, Iran, Iraq, Jordan, Saudi Arabia, Syria, Lebanon, Nepal etc.

Key Rating Weaknesses

Working capital intensive nature of the industry:

The agrochemical and pesticides industry is characterized by high inventory period on account of seasonality in sales. Due to seasonal demand, the company has to stock inventory before the beginning of harvest season thereby increasing the inventory holding cost. Since pesticides are the last link in the agricultural operation, after having invested in seeds, fertilizers, etc. the farmers have little surplus money for purchasing plant protection chemicals. Therefore, providing credit is necessary to stimulate demand. High competition and low off-take often necessitates longer credit period. Credit period extends till the harvest of crops. These factors result in high working capital requirement for companies like ICL. The operating cycle of the

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

stood at 165 days in FY21 (PY: 127 days) on account of high inventory holding period of 159 days (PY: 109 days) and high collection period of 96 days (PY: 82 days).

Highly regulated and competitive nature of operations:
The pesticides industry is marked by heavy fragmentation with the absence of any player having sizeable market share. The intense competition leads to competitive pricing and lower margins. Traditionally, the Indian players have concentrated on marketing generic and off-patent products with little expenditure on R&D while MNCs have focused on developing patented molecules. The pesticides are regulated products and require prior registration with the relevant governing authorities in each country before they are allowed to be sold. Furthermore, the industry also faces regulatory risk due to prohibited usage of certain molecules. However, ICL has product registration for more than 410 formulations for domestic market, 30 technical manufacturing licenses and 75 for exports.

Exposure to agro-climatic conditions:
India has four major climatic regions which results in wide variations in rainfall and pattern of agriculture across the country. The prospect of agro chemical industry is dependent on the prevailing agro climatic condition in the particular region. To mitigate the risk associated with regional variations, ICL has diversified itself across various geographies with pan India presence.

Exposure to foreign exchange fluctuation risk:
The Company is exposed to the risk associated with volatility in the exchange rates as it exports to many countries and imports raw material majorly from China, although the imports provide a natural hedge to some extent to the risk arising due to exports. The products of ICL are registered in 24 countries including Ethiopia, Saudi Arabia, Jordan, Lebanon, Pakistan, Bangladesh, Iran, Iraq being the major export countries during FY21. Around 80%-90% of total export sales are done on advance payment basis and technical and formulation makes around 50% each of total exports. Around 90% of its total import purchases are from China. Further, the company does not engage into hedging as it has a natural hedge mechanism to some extent. During FY21, the company booked a net forex gain of Rs. 1.50 crore (net forex gain of Rs. 1.82 crore in FY20). Nonetheless, any adverse foreign currency movement may have a bearing on the financial profile of the company.

Adequate Liquidity:
The pesticide industry requires high working capital investment due to high Inventory and long credit period. Due to the seasonal demand for pesticides, the company is required to stack up variety of products as inventory in advance of the season resulting in high inventory holding period which is a common phenomenon across pesticide industry. The operating cycle of the stood at 165 days in FY21 (PY: 127 days) on account of high inventory holding period of 159 days (PY: 109 days) and high collection period of 96 days (PY: 82 days). Unencumbered cash and cash equivalents stood at Rs 0.85 crore as on Mar 31, 2021 (PY: Rs 0.30 crore) while current ratio stood at 1.33x as on Mar 31, 2021 (PY: 1.33x).

Analytical approach: Standalone

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
Pesticide
Policy on Withdrawal of Ratings

About the Company
Indogulf Cropsciences Ltd (ICL) was originally incorporated in January 22, 1993 under the name and style "Jai Shree Rasayan Udyog Limited". The name of the company was subsequently changed to the present one in April 2015. The company is engaged in the manufacturing of technical grade, trading and formulation of pesticides, crop nutrients and plant growth enhancers. The company has 3 manufacturing plants with two Technical plants located in Nathupur in Haryana and a formulation plant in Jammu. The installed capacity of technical grade plant stood at 2250 metric tons per annum (MTPA). For Formulation plant capacity is divided in Granules capacity of 225 TPD, Liquid formulation of 60-68 KLPD and Powder capacity of 22.5-24 TPD.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	517.87	442.95	NA
PBILDT	38.33	39.23	NA
PAT	20.50	22.98	NA
Overall gearing (times)	0.71	0.51	NA
Interest coverage (times)	7.82	7.97	NA

A: Audited; NA: Not 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Nov, 2024	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB; Stable (15-Feb-21) 2)CARE BBB; Stable (03-Apr-20)	1)CARE BBB; Stable (09-Apr-19)	-
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable (15-Feb-21) 2)CARE BBB; Stable (03-Apr-20)	1)CARE BBB; Stable (09-Apr-19)	-
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3 (15-Feb-21) 2)CARE A3 (03-Apr-20)	1)CARE A3 (09-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
1. CC	• Additional Interest of 18% p.a. on overdue/ delays/ defaults of any monies payable.
2. LC	• Commission of 1% per (month/quarter/annum) to be charged
B. Non-Financial Covenants	
1. CC	• Stock statement to be submitted (monthly / bi-monthly / quarterly) with ageing detail, on or before the 7th day of the month.
2. LC	• Import LC's may be issued at sight and/or usance tenor of up to 180 days

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	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 instrument: CARE Ratings Ltd. 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 for any clarifications.

Contact us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Ravleen Sethi
Contact no.: +91-11-4533 3237
Email ID: ravleen.sethi@careedge.in

Relationship Contact
Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**