Advance Micro Fertilizer Private Limited

February 11, 2019

Rating

Facility/Instrument	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities	6.25	**CARE BB; Stable (Double B; Outlook: Stable)**	Assigned
Total facilities	**6.25 (Rs. Six Crore and Twenty Five Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

The rating assigned to the bank facilities of Advance Micro Fertilizer Private Limited (AMF) is primarily constrained on account of thin profitability margins along with working capital intensive nature of operations. The rating is, further, constrained on account of competitive nature of the industry with vulnerability of Total Operating Income (TOI) and profitability to agro climatic conditions.

The rating, however, favorably takes into account experienced as well as resourceful coupled with wide product profile and established customer base & marketing network which led to continuous growth in scale of operations during past three years ended FY18 (FY refers to period from April 1 to March 31). The rating, further, derives strength from moderate solvency position and favorable industry outlook.

The ability of AMF to Improvement profitability margins in light of volatile raw material prices and improvement in the liquidity position would be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weakness

Thin profitability margins

The profitability of the company remained fluctuating as well as stood thin marked by PBILDT and PAT margin of 4.50% and 1.55% respectively in FY18. During FY18, PBILDT margin and PAT margin has increased by 154 bps and 70 bps respectively over FY17. Further, AMF has also reported GCA of Rs.2.11 crore in FY18, which has improved by 87.70% over FY17.

Working capital intensive nature of operations

The business of the company is working capital intensive in nature being present in the manufacturing agro-chemical industry with elongated inventory cycle of 82 days and collection period of 49 days in FY18. However due to high creditor days, operating cycle remained comfortable at 22 days in FY18. Due to dependency of rains, the company gets payments delayed from its dealers which led to late payment to its supplier. Further, due to high creditors, current ratio and quick ratio stood at 1.10 times and 0.54 times as on March 31, 2018. It utilizes more than 90% its working capital limit in the last 12 months ended September 2018.

Competitive nature of the industry with vulnerability of income and profitability to agro climatic conditions

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

Key Rating Strengths

Experienced and resourceful management

The overall affairs of the company are managed by Mr. Om Prakash Choudhary and Mr. Kedar Choudhary, Directors of the company who has vast experience of around a decade in the pesticides industry. Further, the promoters of the company are resourceful and continuously infusing funds in the company from last 5 years for capacity expansion. The promoters have infused total capital of Rs.3.00 crore during FY15-18.

Wide product profile coupled with established marketing network

Currently, AMF is manufacturing various categories of pesticides formulation (viz. fungicide, insecticide, herbicide) in the form of granule, liquid, dust, Suspensible Concentrates and Wettable Powder in various sizes as per the customer requirement. Further, with long track record of operations and support from competitive marketing staff, the company has established its presence in eleven states (majorly in North India) along with four branches located at Hisar (Haryana), Hanumangarh (Rajasthan), Ahmedabad (Gujrat) and Indore (Madya Pradesh) operated by marketing staff of 4-5 person per branch. Further, it also exports agrochemical to neighbor countries mainly to Nepal.

Continuous growth in scale of operations coupled with well renowned customer base
Due to established presence with established customer base, Total Operating Income (TOI) of the company has shown continuous growth and grew at a Compounded Annual Growth Rate (CAGR) of 29.65% over the last three financial years ended FY18 owing to continuous growth in sales volume of pesticides and fertilizers. During FY18, TOI of the company has grown by 8.57% over FY17 (54.82% in FY17 over FY16) owing to higher sales volume and achieved TOI of Rs.72.68 crore in FY18. Further, the company has established relations with reputed clientele base which includes DCM Shriram Limited, Willowood Chemicals Private Limited, Acme Organics Private Limited, Rajasthan State Cooperative Marketing Federation Ltd (RSCMFL) etc.

Moderate solvency position
The capital structure of the company stood moderate with an overall gearing of 1.02 times as on March 31, 2018, marginally deteriorated from 0.87 times as on March 31, 2017 mainly on account of disbursement of term loan which was further offset by infusion of capital as well as profit accretion to reserves. Further, debt service coverage indicators also stood comfortable with Total debt to GCA of 3.54 times as on March 31, 2018. Further, interest coverage also stood comfortable at 4.29 times in FY18.

Favorable industry outlook
The Indian Agrochemical industry has been one of the fastest growing segments for enhancing crop production and damage control of crops. Agrochemicals market is witnessing high demand for pesticides and fertilizers due to the increased global investment. There is increasing demand for fertilizer and pesticides in countries like India, China, Brazil and Mexico which has resulted into high growth in agrochemicals market. The Government of India is focused on the development of the agricultural sector and on improving the rural economy.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Manufacturing Sector Companies
Financial ratios – Non-Financial Sector

About the Company
Jaipur (Rajasthan) based Advance Micro Fertilizer Private Limited (AMF) was incorporated in February 2002 as a private limited company. AMF is engaged in the manufacturing of various kinds of pesticides formulation, fertilizer and plant stimulant since last 12 years. AMF has two manufacturing unit located at RIICO industrial area Bagru, Jaipur, the first unit is being used for manufacturing of various grades of pesticides formulation. The other unit was set up in FY18 for manufacturing of various grades of sulphur formulations with installed capacity of 10,000 Metric Tonne Per Annum (MTPA).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	66.94	72.68
PBILDT	1.98	3.27
PAT	0.57	1.13
Overall gearing (times)	0.87	1.02
Interest coverage (times)	3.33	4.29

A: Audited,
Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact
Name: Mr Abhishek Jain
Tel: 0141-4020213/14
Mobile: +91 9251265875
Email: abhishek.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2023	1.78	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	4.47	CARE BB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	1.78	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	4.47	CARE BB; Stable	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms.Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691