

Ambey Laboratories Limited

November 14, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	23.69	CARE BB-; ISSUER NOT COOPERATING (Double B Minus; ISSUER NOT COOPERATING*)	Revised from CARE BB; Issuer Not Cooperating; (Double B; Issuer not Cooperating)
Short-term Bank Facilities	8.75	CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	32.44 (Rupees Thirty Two Crore and Forty Four Lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 03, 2018, placed the ratings of Indian Ambey Laboratories Limited (ALPL) under the 'issuer non-cooperating' category as ALPL had failed to provide information for monitoring of the rating. ALPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated November 07, 2019 November 05, 2019 and November 04, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings).

The rating has been revised by taking into account no due-diligence conducted due to non-cooperation by Indian Ambey Laboratories Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating is constrained on account of small scale of operations, low profitability margin and coverage indicators, elongated operating cycle and susceptibility to fluctuation in raw material prices. The rating, however, derives strength from experienced promoters, comfortable capital structure and moderate liquidity position.

Detailed description of the key rating drivers

At the time of last rating on July 03, 2018, the following were the rating weaknesses and strengths. (updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Leveraged capital structure and weak coverage indicators: The capital structure continues to be leveraged due to high dependence on working capital borrowings. The coverage indicator continues to be weak due to high debt levels which resulted in high interest cost.

Elongated working capital cycle: The operating cycle of the company continue to be elongated on account of inventory maintained in form of WIP for smooth functioning of production. The sanctioned working capital limits remained around 95% utilized during the 12 months period ending February, 2017.

Highly fragmented nature of industry coupled with intense competition: The pesticides and insecticides industry is marked by heavy fragmentation with absence of any player having sizeable market share in the domestic market. However, MNCs have focused on developing patented molecule whereas the Indian players have concentrated on marketing generic and off-patent products with little expenditure on R&D. The intense competition and focus on off-patent products leads to competitive pricing in the domestic market.

Highly regulated industry: The pesticides and herbicides are toxic and hazardous to mankind (as pesticide residue enter the food chain) and the environment, the Government of India regulates the manufacture, sale, transport, export/import

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate

etc., of pesticides under the guidelines of the Insecticide Act, 1968. As per this act, no pesticide is allowed for production/import without registration. The Insecticide Act is enforced through two high powered bodies the 'Central Insecticides Board' and the 'Registration Committee' (RC). The Committee also lays down the details of packaging, labeling, and approved quantity of use, restrictions and precautions. The industry is also governed by The Ministry of Chemical and Fertilizers, through Department of Chemicals and Petrochemicals, which promotes production of pesticides. The Ministry of Agriculture regulates and monitors the quality and supply of pesticides in the country.

Foreign exchange fluctuation risk: The company exports its products and also imports raw material. Hence, the company is exposed to sharp fluctuation in the value of rupee against foreign currency which may impact its cash accruals.

Key Rating Strength

Modest scale of operations: The scale of operations of the company continues to be modest which limits the company's financial flexibility in times of stress and deprive of scale benefits.

Moderate profitability margins: The profitability margin of the company continues to be moderate on account of higher sale realization across the product portfolio of the company.

Established relationship with reputed client base: Over the period of time ALPL has developed strong relationship with its customers and is getting repeat orders from various clients. The company has around a decade of relationship with some of these government and private clients.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Delhi-based Ambey Laboratories Private Limited (ALPL) was incorporated in March 1985 by Mr Anil Gupta. Later on in 2004 his son Mr Archit Gupta and in 2009 Mr Arpit Gupta also joined the company as directors. ALPL is engaged in the manufacturing of range of pesticides and herbicides (technicals and formulations). The technicals constitute about 80% of its total operating income in FY13 (refers to the period April 1 to March 31). The products offered by the entity include 2,4D Sodium salt, 2,4D Amine salt, 2,4D Ester salt, Glyphosate 41% and Lambda Cyhalothrin. The manufacturing facility of the company is situated in Behror, Rajasthan, with an installed capacity of 3,600 Metric Tonne per Annum (MTPA). The company caters to the domestic as well as export market.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	24.79	32.98
PBILDT	-12.08	-1.47
PAT	-16.48	-8.90
Overall gearing (times)	-2.61	-1.55
Interest coverage (times)	-3.81	-0.26

A-Audited

Status of non-cooperation with previous CRA – Not Applicable

Any other information: Not Applicable

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

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	-	-	-	3.69	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	8.75	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.69	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE BB+; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE BB+ (19-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BB-; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE BB+; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE BB+ (19-Apr-16)
3.	Non-fund-based - ST-Letter of credit	ST	8.75	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating;	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE A4+; ISSUER NOT COOPERATING* (26-Apr-17)	1)CARE A4+ (19-Apr-16)

				Based on best available information				
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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.

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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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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