

Kilpest India Limited

January 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term bank facilities	4.25	CARE BB-; Stable (Double B Minus; Outlook: stable)	Reaffirmed
Short-term bank facilities	1.75	CARE A4 (A Four)	Reaffirmed
Total Facilities	6 (Rupees Six crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings of Kilpest India Limited (KIL) continue to remain constrained on account of its fluctuating Total Operating Income (TOI) due to dependence on monsoon of the agrochemical industry and its working capital intensive nature of its operations. The ratings, further, continue to remain constrained by its presence in the highly competitive and fragmented agro-chemical industry with high research and development expenses. The ratings also factors in the decline in TOI in FY16 (FY refers to the period from April 1 to March 31) on account of averse demand scenario in light of uneven and deficient rainfall.

The ratings, however, favourably take into account the experienced management with its long track record of operations and established research and development (R&D) department for innovation with sizeable fleet of equipments. The ratings, further, get strength from comfortable profitability and moderate solvency position.

The ability of the company to improve its scale of operations while sustaining profitability margins in light of volatile raw material prices and improvement in the liquidity position are key rating sensitivities.

Detailed description of the key rating drivers

During FY16, TOI of the company has declined by 12.21% over FY15 mainly due to erratic and off-season rains that led to lower demand of pesticides. Further, the profitability of the company continue to remained range bound with PBILDT margin falling in the range of 6.21%-7.91% during last four financial years ended FY16.

The capital structure of the company remained comfortable with an overall gearing of 0.66 times as on March 31, 2016. However, debt service coverage indicators stood moderate with Total debt to GCA of 15.64 times as on March 31, 2016, deteriorated from 13.95 times as on March 31, 2016 owing to marginal increase in total debt level coupled with decrease in gross cash accrual level.

It has fully utilized its working capital limit in the last 12 months ended November 2016.

The promoters have vast experience in the agro-chemical industry. Also, the company has different segment for research and development department and owns R&D building, machinery and equipments requires for innovation of new formulas and molecules of pesticides.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

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

[Rating Methodology- Pesticides Company](#)

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

About the Company

Bhopal (Madhya Pradesh) based KIL was promoted in 1972 by Mr. R.K. Dubey along with his family members. KIL is engaged in the business of manufacturing of crop protection products, like pesticides (insecticides, fungicides, herbicides, weedicides, larvicides, etc.) micro-fertilizers and bio-pesticides. The plant of the company is located at Bhopal with an installed capacity of 1800 Metric Tonnes Per Month for products of Dispersible Powders (DP), Wet-table Powders (WDP) and Granules (GR) and 60000 Litres per month for liquid products as on March 31, 2016. The company is certified with International Organization for Standardization (ISO), Indian Standard Institute (ISI) and Central Insecticides Board and Registration Committee (CIB&RC) to facilitate the registration of safe, efficacious and quality pesticides for domestic use and export. KIL sells its pesticides and fertilizers all over India and also exports to Bangladesh, Nepal, Jordan and Afghanistan. It has sales depots located at Cuttack, Raipur and Lucknow. The company has established team to market its product which comprises 8 sales person and more than 150 dealers as well as 4-5 distributors in Bangladesh and Jordan. It markets its products under the trade name like Bheem (soluble powder), Pradhan, Katerphos-Plus, Katerphose-Super (dusting powder) and Baaz, Frutofix, Aum Flower (Flowering Stimulent).

Further, the company entered into a Joint Venture with 2B BlackBio S.L. Spain and Biotoools B&M Labs S.A. Spain and formed 3 B Blackbio Biotech India Limited (3B) where KIL has 85.50% stake. 3B is engaged in the business of manufacturing of agrochemicals.

During FY16 (refers to the period of March 31 to April 1), KIL has reported a total operating income of Rs.15.80 crore with a net profit of Rs. 0.19 crore. As per provisional result of 6MFY16, KIL has registered TOI of Rs.7.39 crore with PAT of Rs. 0.25 crore.

Status of non-cooperation with previous CRA:

Not Applicable

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.

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****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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1Details 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-Cash Credit	-	-	-	4.25	CARE BB-; Stable
Fund Based - ST-Standby Line of Credit	-	-	-	0.45	CARE A4
Non-Fund Based - ST-Letter of Credit	-	-	-	0.50	CARE A4
Non Fund Based - ST-Bank Guarantee	-	-	-	0.75	CARE A4
Non Fund Based - ST-Forward Contract				0.05	CARE A4

Annexure 2Rating History for last three years :-

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings (CARE BB-; Stable/ CARE A4)		Chronology of Rating history for past three years		
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	4.25	CARE BB-; Stable	1)CARE BB- (February 25, 2016) 2)CARE BB- (April 07, 2015)	-	-
2.	Fund Based - ST-SLC-WC	ST	0.45	CARE A4	1)CARE A4 (February 25, 2016) 2)CARE A4 (April 07, 2015)	-	-
3.	Non-Fund Based - ST-Letter of credit	ST	0.50	CARE A4	1)CARE A4 (February 25, 2016) 2)CARE A4 (April 07, 2015)	-	-
4.	Non-Fund Based - ST-Bank Guarantees	ST	0.75	CARE A4	1)CARE A4 (February 25, 2016) 2)CARE A4 (April 07, 2015)	-	-
5.	Non-Fund Based - ST-Forward Contract	ST	0.05	CARE A4	1)CARE A4 (February 25, 2016) 2)CARE A4 (April 07, 2015)		

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