

**Kilpest India Limited**  
**February 02, 2018**

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remark
Long-term Bank Facilities	4.25	CARE BB-; Positive (Double B Minus; Outlook : Positive)	Reaffirmed
Short-term Bank Facilities	1.75	CARE A4 ( A Four)	Reaffirmed
<b>Total</b>	<b>6.00</b> <b>(Rupees six crore only)</b>		

*Details of instruments/facilities in Anneuxre-1*

**Detailed Rationale & Key Rating Drivers**

The ratings of Kilpest India Limited (KIL) continue to remain constrained on account of decline in Total operating income and working capital intensive nature of operations. The ratings are, further, continued to remain constrained on account of its presence in highly competitive and fragmented agro-chemical industry with high research and development (R&D) expenses.

The ratings, however, continue to favourably take into account the experienced management with long track record of operations and established Research And Development (R&D) department for innovation with sizeable fleet of equipments. The ratings, further, derives strength from improvement in profitability, comfortable capital structure and infusion of funds by issuance of convertible warrant along with favourable industry scenario.

The ability of company to increase its scale of operations while improving profitability along with improvement in solvency position and efficient management of working capital would be the key rating sensitivities.

**Outlook: Positive**

The positive outlook for the ratings assigned to the bank facilities of KIL factors in issuance of convertible warrant on preferential basis of Rs.9.35 crore which will be convertible into equity share on or before completion of 18 months and till January 17, 2018, the company has received Rs.4.40 crore through issuance of convertible warrant. The outlook may be revised to 'Stable' in case company does not receive remaining money pending from the warrant and financial weakens on account of its dependence on monsoon.

**Detailed description of the key rating drivers****Key Rating Weaknesses****Decline in Total Operating Income (TOI) owing to dependence on monsoon**

During FY17, TOI of the company has declined by 16.01% over FY16 and registered TOI of Rs. 13.27 crore mainly on account of lower demand of pesticides raised by farmers due to demonetization and erratic and off-season heavy rains which destroyed crops as the demand of pesticides and agrochemicals in India is linked to monsoons.

**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 working capital cycle at 295 days in FY17 mainly on account of higher collection and inventory

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

period. Due to high inventory and higher debtors, liquidity ratios stood comfortable. It fully utilized its working capital limit in the last twelve months ended December, 2017.

#### **Presence in highly competitive and fragmented agro-chemical industry with high research and development (R&D) expenses**

The Indian agrochemicals market is highly fragmented in nature. The competition is fierce with large number of organized sector players and significant share of spurious pesticides. The market has been witnessing mergers and acquisitions with large players buying out small manufacturers. Top ten companies control almost 80% of the market share. The market share of large players depends primarily on product portfolio and introduction of new molecules. Strategic alliances with competitors are common to reduce risks and serve a wider customer base.

R&D to develop a new agrochemical molecule takes an average of 9 years and ~USD 180 Million Indian companies typically have not focused on developing newer molecules and will face challenges in building these capabilities, while continuing to remain cost competitive.

#### **Key Rating Strengths**

##### **Experienced management with long track record of operations and established research and development (R&D) department for innovation with sizeable fleet of equipments**

KIL was incorporated in the year 1972 and hence, has a track record of more than four decades. Mr. R.K. Dubey, Chairman and Managing Director, has five decades of experience in this agro-chemical industry and looks after overall affairs of the company. He is assisted by Mr. D.K. Dubey and Mr. N.K. Dubey, directors and both has more than 2 decades of experience in this industry. Further, top management is assisted by Mr. R.K. Choubey, retired senior agriculture officer and C.A. Shabbir Husain, looks after the finance and accounts functions of the company.

KIL 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. It has been adding latest plant and machinery, furniture/fixtures and equipments to explore more in this field. Out of total gross block, the company owns 42% of total gross block for R&D department.

##### **Improvement in profitability margins**

The profitability of the company continues to remain healthy with PBILDT margin and PAT margins of 10.00% and 1.73% respectively in FY17.

##### **Comfortable capital structure**

The capital structure of the company remained comfortable with an overall gearing of 0.72 times as on March 31, 2017. However, debt service coverage indicators also stood moderate with Total debt to GCA of 14.85 times as on March 31, 2017 and interest coverage ratio stood moderate at 1.77 times in FY17 as against 1.84 times in FY16.

##### **Favourable industry scenario**

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 and 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 driving factors for agrochemical industry are government initiatives to safeguard the crop from various elements. Most of companies have enhanced their production and operational capacities to fulfill the demand for agrochemicals in global markets.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Rating Methodology-Manufacturing Companies](#)

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

[Rating Methodology-Short term bank facilities](#)

#### About the Company

Bhopal (Madhya Pradesh) based Kilpest India Limited (KIL) was promoted in 1972 by Mr. R.K. Dubey along with his family members. KIL is engaged in the business of manufacturing 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, 2017. 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 and 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 development of PCR Enzymes, ready to use PCR Mastermix, PCR reagents and molecular diagnostics (MDx) based kits for Tuberculosis (MTB), MDR-TB, BCR-ABL, PML RARA, JAK-2, Human Papilloma Virus (HPV), Hepatitis B (HBV) and Hepatitis C (HCV) and other assays.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	15.80	13.27
PBILDT	1.13	1.33
PAT	0.19	0.23
Overall gearing (times)	0.66	0.72
Interest coverage (times)	1.84	1.77

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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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-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-Cash Credit	-	-	-	5.00	CARE BB-; Stable
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	5.00	Withdrawn
Fund-based - LT-Term Loan	-	-	September, 2021	1.87	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BB-; Stable	-	1)CARE B+; Stable (11-Jan-17)	-	-
2.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	-	-	-	1)CARE A4 (11-Jan-17)	-	-
3.	Fund-based - LT-Term Loan	LT	1.87	CARE BB-; Stable	-	1)CARE B+; Stable (11-Jan-17)	-	-

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