

Insecticides (India) Limited

'CRISIL A1' assigned to CP issue

Total Bank Loan Facilities Rated	Rs.4000 Million (Enhanced from Rs.1000 Million)
Long-Term Rating	CRISIL A/Stable (Reaffirmed)
Short-Term Rating	CRISIL A1 (Reaffirmed)

(Refer to Annexure 1 for details on facilities)

Rs.200 Million Commercial Paper	CRISIL A1 (Assigned)
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CRISIL has assigned its '**CRISIL A1**' rating to the commercial paper programme of Insecticides (India) Ltd (IIL), while reaffirming its ratings on the company's bank facilities at '**CRISIL A/Stable/CRISIL A1**'.

The ratings reflect IIL's healthy business risk profile, driven by its promoters' extensive industry experience, strong brand positioning, and wide geographical reach, robust financial risk profile, marked by low gearing and sound debt protection metrics, and its promoters' conservative approach to debt. These rating strengths are partially offset by IIL's large working capital requirements marked by large inventory, and susceptibility to inherent risks in the domestic agrochemicals market and to volatility in raw material prices.

IIL's promoters have been in the agrochemical industry for over three decades. Prior to IIL, the chairman, Mr. H C Aggarwal, was associated with HPM Chemicals and Fertilizers Ltd (Formerly known as Him Pulverising Mills Limited rated 'CRISIL BBB/Positive/CRISIL A3+'), which was established in 1976 and is into the same line of business. Over the years, IIL has developed a vast portfolio of agrochemical products, with over 92 formulations of pesticides, insecticides, and herbicides. It has also undertaken a backward integration initiative to manufacture technicals, leading to better operating efficiency. Over the years, it has established 27 branches (including 4 regional depots) and a network of around 3200 distributors. Also, IIL has diversified geographical presence across India, which mitigates the impact of slowdown in any geography.

IIL's robust financial risk profile is marked by comfortable gearing, strong debt protection metrics, and strong net worth. IIL's gearing stood comfortable, at 0.9 times, with a strong net worth of Rs.1.77 billion as on March 31, 2012. The gearing is expected to remain at close to 1 time over the medium term due to improvement in net worth owing to retention of accruals and no large debt-funded capital expenditure (capex) plans. This is despite the company's highly working-capital-intensive operations. IIL's operations have remained highly working capital intensive, with gross current assets of over 245 days owing to high inventory and debtors of 125 days and 59 days, respectively, as on March 31, 2012. IIL's operations are expected to remain working capital intensive over the medium term.

Outlook: Stable

CRISIL believes that IIL will benefit over the medium term from its strong brand positioning, promoters' extensive industry experience, and robust financial risk profile, marked by comfortable gearing, strong debt protection metrics, and strong net worth. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and cash accruals, backed by stabilisation of IIL's ongoing capex, leading to improvement in its scale of its operations. Conversely, the outlook may be revised to 'Negative' if IIL undertakes a larger-than-expected, debt-funded capex programme over the medium term, or if its working capital requirements significantly increase, thereby resulting in additional reliance on debt and deterioration in financial risk profile.

About the Company

Incorporated in 1996, IIL is promoted by Mr. Rajesh Aggarwal and his family members. It commenced operations in the agrochemicals industry in 2002, and manufactures formulations and technicals of plant protection chemicals and household pesticides. It has four manufacturing units in Chopanki (Rajasthan), Samba and Udhampur (Jammu & Kashmir), and Dahej (Gujarat). IIL currently has a total manufacturing capacity of 17.5 million litres of Emulsifiable concentrate (EC), 17.2 million kg per annum of Wettable dispersible powder (WDP), 55.6 million kg per annum of granules, and 21.8 million kg per annum of technicals with 22 million kg of intermediaries. The company's units are ISO 9001:2000, and ISO 14001-2004 ISO 18001:2007 certified.

IIL came out with an initial public offering in 2007, and its shares are listed on the Bombay Stock Exchange and the National Stock Exchange.

For 2011-12 (refers to financial year, April 1 to March 31), IIL reported a profit after tax (PAT) of Rs.330.1 million on an operating income of Rs.5.22 billion, against a PAT of Rs.322.2 million on an operating income of Rs.4.5 billion for 2010-11.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Mln)	Rating	Facility	Amount (Mln)	Rating
Cash Credit	900*	CRISIL A/Stable	Cash Credit	340	CRISIL A/Stable
Letter of Credit	910	CRISIL A1	Letter of Credit	390	CRISIL A1
Long-Term Loan	45	CRISIL A/Stable	Long-Term Loan	45	CRISIL A/Stable
Proposed Fund-Based Bank Limits	1000	CRISIL A/Stable	Overdraft Facility	60	CRISIL A/Stable
Proposed Non Fund-Based Limits	1145	CRISIL A1	Proposed Short-Term Bank Loan Facility	65	CRISIL A1
--	0	--	Working Capital Demand Loan	100	CRISIL A/Stable
Total	4000	--	Total	1000	--

* Interchangeable with non fund based limits to the extent of Rs. 560 million