

August 31, 2010

CARE ASSIGNS 'CARE BBB' AND 'PR3' RATINGS TO THE BANK FACILITIES OF INDIA PESTICIDES LIMITED

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1.47	'CARE BBB' (Triple B Minus)	Assigned
Short-term Bank Facilities	3.50	'PR3' (P R Three)	Assigned
Long/Short Term Bank Facilities	15.00	'CARE BBB-/ PR3'	Assigned
Total Facilities	19.97		

Rating Rationale

The ratings derive strength from the promoters' long standing experience in the pesticides industry, long track record of operations and comfortable financial risk profile characterised by significant growth in operations in the last three years, sig moderate capital structure, and comfortable coverage indicators. The ratings are, however, constrained by IPL's generic product portfolio dominated by old molecules characterised by weak pricing, risks arising out of concentration of sales amongst few molecules and low profitability margins. The ratings also factor in inherent industry risks of vulnerability of operations to agro-climatic conditions, regulatory risks and high competition in the fragmented industry. Going forward, any adverse impact on the risk profile due to increase in competitive intensity in IPL's product segment along with any significant change in funding mix towards debt for the planned capex shall be key rating sensitivities.

Company Profile

India Pesticides Limited (IPL) was established in 1973 as a partnership firm and subsequently, converted into a limited company in 1984. IPL is engaged in the business of manufacturing various types of pesticides & pharma intermediates. In terms of end usage in pesticides (which contributes about 80% of its total turnover), fungicides & insecticides constitutes about 61% and 19% of its total turnover in FY10.

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

On a total income of Rs.55.9 cr, IPL earned a PAT of Rs.2.1 cr in FY09. Overall gearing was at 1.07 times as on March 31, 2009 which has improved as compared to 1.39 times as on March 31, 2008.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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