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Fund Based Limits	30.0 (reduced from 50.0)	[ICRA]A+ (stable) <i>reaffirmed</i>
Non Fund Based Limits	33.35 (reduced from 50.56)	[ICRA]A1+ <i>reaffirmed</i>

ICRA has reaffirmed the long-term rating of Dhanuka Agritech Limited (DAL)[†] at [ICRA]A+ (pronounced ICRA A plus) for a reduced amount of Rs. 30.0 crore[‡] (earlier Rs. 50.0 crore) fund based facilities. The outlook for the long-term rating is stable. ICRA has also reaffirmed the short-term rating at [ICRA]A1+ (pronounced ICRA A one plus) for a reduced amount of Rs. 33.35 crore (earlier Rs. 50.56 crore) non-fund based limits of DAL.

The ratings reaffirmation factors in the long experience of the promoters and DAL's established track record of operations in the agrochemical industry; and its strong brand presence, which is supported by a wide distribution network and a diverse product portfolio. Leveraging on these strengths, DAL has developed strong relations with reputed international technicals manufacturers, which has enabled the company to regularly launch new formulations (speciality) and sustain its revenue growth and profitability margins in recent years. This has translated into healthy internal accrual generation, which has been deployed for funding the working capital requirements, resulting in low gearing and robust debt protection metrics. The company enjoys strong liquidity marked by negligible utilisation of the bank limits and sizeable cash/liquid investments. DAL is also in the process of setting up a new facility in Keshwana (Rajasthan), likely to get commissioned by the end of the current fiscal, which along with a healthy specialty product pipeline is likely to drive the revenue growth and profitability going forward. Additionally the ratings also take into account DAL's diversified presence across all the regions of the country and across product categories, which largely mitigates risks related to adverse demand for any particular geography, crop or chemical.

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

[‡] 100 lakh = 1 crore = 10 million

However these strengths are partially offset by the agrochemical industry's susceptibility to variability in agro-climatic conditions; as also demonstrated by the moderation of revenue growth during FY15 and the current financial year, on the back of weak monsoon seasons. The ratings also factor in the high working capital intensity of the business due to high inventory and debtor levels; and competitive intensity of the industry, which limits the pricing flexibility of the industry participants including DAL. Additionally the company's profitability remains susceptible to volatility in foreign exchange rate and raw material prices (also linked to crude oil prices) and DAL also remains exposed to regulatory risk arising from any restrictions on the use of hazardous pesticides.

Going forward, DAL's ability to maintain its revenue growth and profitability margins and timely commissioning and stabilisation of operations at the new facility would be the key rating sensitivities.

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Dhanuka Agritech Ltd. (DAL) is a part of the Delhi based Dhanuka Group and engaged in the formulation and marketing of agrochemicals like insecticides, pesticides, herbicides etc. The company has manufacturing facilities in Gurgaon (Haryana), Sanand (Gujarat) and Udhampur (Jammu and Kashmir). The company is also in the process of setting up a new manufacturing facility in Rajasthan. In addition to the agrochemical business; DAL is also engaged in the seeds business, though its contribution to the total turnover has remained modest.

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For FY2015, the company has achieved an operating income of Rs. 785.1 crore and a Profit After Tax of Rs. 106.1 crore. DAL has achieved an operating income of Rs. 450.6 crore and a Profit After Tax of Rs. 56.3 crore in H1-FY2016 (as per provisional financial results).