

December 27, 2024^(Revised)

Hemani Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	25.00	25.00	[ICRA]A- (Stable); reaffirmed
Short-term – Fund Based-Working capital facilities	280.00	280.00	[ICRA]A2+; reaffirmed
Total	305.00	305.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings factor in the extensive track record of Hemani Industries Limited (HIL/the company) in the agrochemical industry. The promoters of the company have been engaged in the agrochemical industry for more than two decades. The company is one of the leading players in the agrochemical segment and exports its products to nearly 60 countries.

HIL's financial risk profile moderated significantly in FY2023 and FY2024 owing to the headwinds in the export markets amid inventory destocking and pricing pressures arising from a sharp increase in supplies from China. The profitability is expected to slightly improve in FY2025 and further in FY2026 as the industry headwinds are likely to moderate. The interest coverage ratio moderated to 2.5x in FY2024 from 4.8x in FY2023 and the total debt/OPBDITA was muted at 5.5x in FY2024 compared with 2.7x in FY2023 owing to a sharp drop in profitability in FY2024. While the debt service coverage ratio (DSCR) moderated to 1.2x in FY2024, it is expected to improve in FY2025 with an improvement in cash generation and modest debt repayments.

The ratings are constrained by the working-capital intensive operations. The receivable days remain elevated because of the large exposure to the export markets wherein the company has to offer 150-180 days of credit period to its customers. In FY2024, the company's receivable days increased to 167 days (up from usually around 140 days) amid a weakness in the export markets and the inventory days are expected to remain high as HIL has to maintain finished goods inventory to meet various seasonal requirements across geographies. The profitability and cash generation also remain vulnerable to agro-climatic risks as the offtake of agrochemicals is directly related to agricultural activity.

The company also operates in a highly regulated industry because of the toxic nature of the products and, thus, remains exposed to regulatory actions. The ratings are further constrained by the weak ramp-up in production from the plant set up under Hemani Crop Care Pvt Ltd (HCCPL) for manufacturing technicals. Production from the plant under HCCPL was weak in FY2024 owing to adverse market conditions; the plant was not operational in FY2025 and is expected to restart operations in Q1 FY2026. As a result, the overall profitability at a consolidated level has been impacted while the debt servicing for HCCPL is being undertaken through support from HIL and the promoters.

The Stable outlook on the long-term rating reflects ICRA's expectation of the company reporting healthy cash generation and a stable credit profile amid its established track record and a healthy demand for its products.

Key rating drivers and their description

Credit strengths

Experienced management and company's established track record - HIL is present in the entire product value chain of the agrochemical industry, i.e., technicals, formulations and intermediates. HIL is one of the leading players in the Indian

pyrethroids market. It exports to over 60 countries across North America, Europe, Asia and Africa. The promoters have experience of more than two decades in the speciality chemicals business, especially agrochemicals.

Adequate financial risk profile - HIL's credit profile was adequate in FY2024 on a consolidated basis, marked by low gearing (TD/TNW) of 0.3 times as on March 31, 2024 (0.3 times as on March 31, 2023). The debt levels moderated in FY2024 due to part repayment of long-term loans, partly offset by the incremental working capital borrowings. However, the gearing has remained low due to the accretion of profits to reserves and a large net worth base. The coverage indicators have moderated over the last two years as reflected in interest coverage ratio of 2.5 times in FY2024 against 16.7 times in FY2022 due to a deterioration in profitability. The profitability is anticipated to improve in FY2025 as demand is seen to recover, leading to an improvement in the coverage indicators. Similarly, in the absence of any significant capex plan, the capital structure would remain comfortable.

Credit challenges

Large working capital requirement - HIL operates in the agrochemical sector where the working capital requirements remain elevated owing to the long credit period provided by HIL for exports (usually 150-180 days) and the high finished goods inventory to be maintained owing to varied products and crop seasons. The working capital intensity increased to 57.4% on a consolidated basis in FY2024 from 47.4% in FY2023. However, it is expected to improve marginally in FY2025.

Profitability exposed to agro climatic risks and regulatory risks - Global as well as domestic agrochemical markets remain highly competitive and vulnerable to agroclimatic risks, pricing pressures from dominant suppliers like China and a highly regulated industry. In India, the use of pesticide remains vulnerable to the spatial and temporal distribution of rainfall as majority of the farmland is dependent on the monsoon and majority of the pesticide consumption happens during the kharif season. Pesticide sales in India remain tightly regulated - from the registration of molecules to be sold to the packaging of the products and the content printed on the packaging as well. Given the highly poisonous nature of the pesticides, they remain exposed to the risk of bans which can be worldwide or region-specific.

Weak ramp-up of the plant setup under subsidiary, Hemani Crop Care Pvt Ltd - HCCPL manufacturers technicals for agrochemical production, including metribuzin and proseulfocarb, at its Saykha plant in Gujarat. The company had initially planned a capex of Rs. 200 crore to set up a facility for various agrochemical technicals, incurring Rs. 165 crore by FY2023, funded through Rs. 116 crore of term loans and Rs. 49 crore via preference shares and unsecured promoter loans. While the operations began in phases in FY2021, the remaining capex has been paused due to pricing pressure on key products. The plant, currently idle in FY2025, is expected to resume operations by Q1 FY2026 as pricing conditions stabilise.

Liquidity position: Adequate

HIL's liquidity is adequate on a consolidated basis, marked by healthy cash accruals and moderate debt repayments. The average working capital utilisation for its fund-based limits was 72% for the 12-month period ended November 2024. The company's working capital intensity has increased over the last two years which has impacted the cash flow from operations. However, the cash flow is expected to remain adequate in FY2025 to meet the debt repayments and capex requirements. The cushion available in the fund-based limits, which has been enhanced to Rs. 280 crore in FY2023, will support the company's liquidity position. Further, the company has no major capex plans in the near term, which will also support the company's liquidity position.

Rating sensitivities

Positive factors - ICRA could upgrade the ratings if HIL shows a steady growth in revenues, while maintaining healthy profitability levels on a sustained basis (consolidated). ICRA could also upgrade the ratings if there is a significant improvement in the working capital cycle and/or the liquidity position of the company on a sustained basis.

Negative factors – Pressure on HIL’s rating could arise if the revenues and operating margins decline, resulting in lower cash flows on a sustained basis. Deterioration in the working capital cycle impacting the company’s liquidity position could also trigger a downward rating revision. A specific credit metric which could lead to a rating downgrade will be inability of the company to maintain an interest coverage ratio of more than 4.0x on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Agrochemical Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Hemani Industries Limited. As on March 31, 2024, the company had three subsidiaries as per Annexure II

About the company

Hemani Industries Limited, incorporated in 1994, manufactures agrochemical intermediates, technicals and formulations. It is a Government-recognised export house catering to a large client base across markets like South Africa, the EU, the US, South America, China, Russia, South Korea, Taiwan, Turkey, Egypt, etc. The company has three manufacturing facilities, one each at Ankleshwar, Dahej and Saykha in Gujarat. At Ankleshwar (Gujarat), the company manufactures meta phenoxy benzaldehyde (M.P.B.) used to manufacture insecticides with an installed production capacity of 500 tonnes per month. HIL commenced operations at its Dahej (Gujarat) unit from July 2010 by manufacturing cypermethrin, metamitron, alpha cypermethrin and permethrin, which are primarily agrochemical and pesticide intermediates. The company also manufactures cypermethric acid chloride (C.M.A.C.), a cyper-based intermediate used to manufacture products such as cypermethrin, metamitron, alpha cypermethrin and permethrin. The company has a total installed production capacity of 25,488 MTPA.

HCCPL is a subsidiary of HIL, which is setting up a facility at Saykha (Gujarat) for manufacturing technicals for agrochemicals. Of the total envisaged project cost of ~Rs. 200 crore, HCCPL has incurred a capex of ~Rs. 165 crore till FY2023-end, funded from ~Rs. 116 crore of term loan (out of sanctioned term loan of Rs. 137 crore) and the balance from infusion by HIL and unsecured loans from promoters. The operations commenced in FY2021. However, the company has paused the remaining capital expenditure due to pricing pressure in certain key products. In FY2025, the HCCPL plant has remained shut and it will resume production by Q1 FY2026 as the pricing environment is expected to improve.

Key financial indicators (audited)

HIL Consolidated	FY2023	FY2024
Operating income	1486.7	1121.2
PAT	63.2	12.8
OPBDIT/OI	8.3%	4.6%
PAT/OI	4.2%	1.1%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	2.7	5.5
Interest coverage (times)	4.8	2.5

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)					Chronology of rating history for the past 3 years					
FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs.)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long term	25	27-Dec-24	[ICRA]A- (Stable)	12-Sep-23	[ICRA]A- (Stable)	6-Jul-22	[ICRA]A- (Stable)	30-Aug-21	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
					-	-	-	-	19-Oct-21	[ICRA]A- (Stable)
Short term-fund based-Working Capital Facility	Short term	280	27-Dec-24	[ICRA]A2+	12-Sep-23	[ICRA]A2+	6-Jul-22	[ICRA]A2+	30-Aug-21	[ICRA]A4 ISSUER NOT COOPERATING
					-	-	-	-	19-Oct-21	[ICRA]A2+
Unallocated limits	Long term								30-Aug-21	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
									19-Oct-21	[ICRA]A-(Stable)
Non-fund based	Short term								30-Aug-21	[ICRA]A4; ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based facilities - Term loan	Simple
Short Term-Fund Based - Working capital	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2019	-	FY2024	25.00	[ICRA]A- (Stable)
NA	Working capital	-	-	-	280.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Hemani Industries Limited	Parent	Full Consolidation
Hemani Australia Pty	100.0%*	Full Consolidation
Hemani Korea Co. Ltd	100.0%*	Full Consolidation
Hemani Crop Care Pvt Ltd	100.0%*	Full Consolidation

Source: Annual Report; *owned by HIL

Corrigendum:

Document dated December 27, 2024, has been revised with changes as below:

On page 5, under Rating history for past three years – Unallocated limits and Non-fund based rating history for FY2022 has been added.

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