



Agro Dutch Industries Limited

Rating History

Instrument	Amount In Crore	Rating		
		As on June 11	As on Feb 10	As on Jan 09
Term loans	145.25	LD	LC	LBB+
Short-term loans	25.00	A5	A4	A4+
Fund Based Limits	135.25	A5	A4	A4+
Non-Fund Based Limits	20.50	A5	A4	A4+

ICRA has downgraded the long-term rating outstanding on the Rs. 145.25 crores¹ term loans of Agro Dutch Industries Limited (ADIL) from LC (pronounced L C) to LD (pronounced L D). [†] ICRA has also downgraded the short-term rating outstanding on the Rs. 25 crores short-term loans, Rs. 135.25 crores fund based limits and Rs. 20.50 crores non-fund based limits from A4 (pronounced A four) to A5 (pronounced A five).

The revision in ratings reflects the continued deterioration in the financial performance of Agro Dutch Industries Limited (ADIL) owing to the significant drop in demand for mushrooms globally and the corresponding decline in prices, which has led to the company reporting losses in the last three years. The rating also factors in the considerable increase in debtor days (due to delays in payment by the US buyers) and inventory days (due to considerable order cancellations or deferment) resulting in significant working capital blockage and stretched liquidity position of the company. These factors have resulted in inadequate debt servicing capability and re-scheduling of debt by the company. Despite the moratorium offered under the Corporate Debt Restructuring (CDR) scheme, ADIL has not been able to service its debt obligations in a timely manner. The ratings are further constrained by the competitive nature of the industry, susceptibility of the company's business to regulatory changes in the importing countries, and ADIL's high gearing level (4.41 times as on FY10) on account of debt funded capital expenditure, high working capital borrowings and erosion of net worth due to losses. Nevertheless, ICRA has also taken into consideration ADIL's experienced management, its long track record in the mushroom industry; and its operational efficiencies with backward integration into generation of power, compost-preparation and manufacturing of tin-cans and gradual improvement in demand and prices of mushrooms in international markets. Going forward, the company's ability to benefit from favourable demand outlook and operate its capacity at high capacity utilization, to improve its contribution margins by keeping its costs under control, and infuse long term funds to improve the liquidity of the company will remain key rating drivers.

Company Profile

Agro Dutch Industries Limited (ADIL) was incorporated in May 1992 as "Indo Dutch Foods Limited" by Mr. Malvinder Singh as a joint sector enterprise in collaboration with Punjab Agro Industries Corporation Limited (PAICL). Over the years, promoters bought back the entire stake of PAICL and subsequently, name of the company was changed to "Agro Dutch Industries Limited" w.e.f. 8th January 2001. Listed with the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), ADIL is a 100% export oriented unit involved in cultivation, processing and packaging of white-button mushrooms. In its manufacturing unit located in Lalru (Punjab), company cultivates fresh mushrooms (installed capacity of 60,000 tonnes per annum (tpa)) and thereafter the same is

¹100 lakh = 1 crore = 10 million

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



processed and canned (installed capacity of 36,000 tpa) for export markets. Company also has a captive unit for manufacturing tin-cans for packaging of exportable mushrooms and a co-generation plant with an installed capacity of 6 mega watts (MW). This apart, company is setting up a can-making facility and an easy-open ends unit in Chennai at an estimated cost of Rs. 128 crores. For the financial year (FY) ending March 2011, ADIL recorded net sales of Rs. 134.45 crores and net loss of Rs. 92.29 crores.

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For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel No. +91-124-4545304)
sabyasachi@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur, (Tel. No. +91-124-4545310)
vivek@icraindia.com

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You can reach us at any of our offices:

Registered Office

ICRA Limited

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office

Mr. Vivek Mathur

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91-124-4545350

Mumbai

Mr. L. Shivakumar

Mobile: **91-22-30470005/9821086490**

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion, Appasaheb Marathe Marg,
Prabhadevi, Mumbai - 400 025

Ph : +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087

Fax : +91-22-2433 1390

Kolkata

Ms. Anuradha Ray

Mobile: **91-33-22813158/9831086462**

Email: anuradha@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose
Road, Kolkata-700020.

Tel: +91-33-2287 6617/ 8839/ 2280 0008

Fax: +91-33-2287 0728

Chennai

Mr. Jayanta Chatterjee

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam,
Chennai-600035.

Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433
0724, Fax:91-44-24343663

Bangalore

Mr. Jayanta Chatterjee

Mobile: **9845022459**

Email: jayantac@icraindia.com

2 nd Floor, Vayudhoot Chambers, Trinity Circle, 15-16
M.G.Road, Bangalore-560001.

Tel:91-80-25597401/ 4049 Fax:91-80-25594065

Ahmedabad

Mr. L. Shivakumar

Mobile: **9821086490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006

Tel: +91-79-26585494, 26582008,26585049, 26584924

TeleFax:+91-79- 2648 4924

Pune

Mr. L. Shivakumar

Mobile: **9821086490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills
Road, Shivajinagar,Pune-411 020

Tel : (91 20) 2556 1194 -96; Fax : (91 20) 2556 1231

Hyderabad

Mr. M.S.K. Aditya

Mobile: **9963253777**

Email: adityamsk@icraindia.com

301, CONCOURSE, 3rd Floor, No. 7-1-58, Ameerpet,
Hyderabad 500 016.

Tel: +91-40-2373 5061 /7251 Fax: +91-40- 2373 5152