JU Agri Sciences Private Limited

September 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	120.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB+; Stable
Short Term Bank Facilities	85.00	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from JU Agri Sciences Private Limited to monitor the ratings vide e-mail communications/letters dated March 11, 2024; March 14, 2024; March 18, 2024; and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. Further, company has also not paid the fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.
The ratings have been revised on account of non-availability of requisite information due to non-cooperation by the company. CARE views information availability risk as a key factor in its assessment of credit risk

Analytical approach: Standalone

Outlook: Stable

The Stable outlook on JASPL's reflects CARE's opinion that company will continue to benefit from vast experience of promoters, long track record of operations in pesticide and agrochemical industry and association with JHAVER Group.

Detailed description of the key rating drivers:

At the time of last rating on March 06, 2024, the following were the rating strengths and weaknesses:

Key weaknesses

Working capital intensive nature of business
The pesticide industry requires high working capital investment due to high inventory and long credit period. The commoditised nature of the products and seasonality factor (high demand during crop sowing seasons) makes the operations of the company working capital intensive. This resulted in high working capital requirement by the company in first half of the year as compared to second half of the year. Further, due to the seasonal demand for pesticides, the company is required to stack up variety of products as inventory in advance of the season resulting in high inventory holding period which is a common phenomenon across pesticide industry. This increases the inventory holding cost. Further, since pesticides are the last link in the agricultural operation, after having invested in seeds, fertilizers, etc., the farmers have little surplus money for purchasing pesticides. Therefore, providing credit is necessary to stimulate demand. Thus, due to such intrinsic nature of business, the company's working capital requirement

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

continues to remain high. During FY23, the operating cycle of the company stood at 170 days as compared to 176 days in FY22. The elongation in operating cycle is due to increase in inventory period which is 98 days (PY: 101 days).

Vulnerability to agro-climatic conditions and regulatory risks inherent in business

The sales and profitability of the pesticides industry depends largely on the prevalent agro-climatic conditions. To mitigate the risk JASPL has diversified its sales in terms of geography. Company has presence across all major states in India. Further, JASPL's long presence in pesticides market of over 25 years along with new additions in overall product portfolio will result in mitigating the risk of vulnerability due to agro climatic conditions to some extent.

Exposure to fluctuations in raw material prices

The company remains exposed to the volatility in raw material prices. Any unprecedented increase in raw material prices may result in lower operating margins going forward. Furthermore, new product launches by peers can affect demand, thereby weakening top line and cash accrual.

Highly regulated and competitive nature of operations

The pesticides industry is marked by heavy fragmentation with the absence of any player having sizeable market share. The intense competition leads to competitive pricing and lower margins. Traditionally, the Indian players have concentrated on marketing generic and off-patent products with little expenditure on R&D while MNCs have focused on developing patented molecules. The pesticides are regulated products and require prior registration with the relevant governing authorities in each country before they are allowed to be sold. Furthermore, the industry also faces regulatory risk due to prohibited usage of certain molecules. However, JASPL holds more than 300 registered formulations. Further manufacturing of technical grade pesticides requires compliance with stringent pollution control norms set by the regulatory authorities and any violation in compliance with these norms or any further strengthening of these norms would have an adverse impact on the company's operations.

Key strengths

Vast experience of the promoters and long track record of operations in pesticide and agrochemical industry

JASPL, incorporated in 1986, has been operational for more than three decades and has developed a wide portfolio of products and a distribution network spread across India. Such long track record of operations provides JASPL with a deep understanding of geographical and climatic variations in the Indian agro chemical market. JASPL is a part of JHAVER Group which was founded around 125 years and has diversified in the fields of drugs & pharmaceuticals, chemicals, coated fabrics, zippers manufacturing, agriculture and information technology.

Diversified product portfolio with several formulations approved and registered with Central Insecticide Board

The company's product portfolio includes insecticides, herbicides, fungicides, biocides, bio-fertilizers, and plant growth regulators (PGRs). The revenue contribution from B2B sales in absolute terms has been increasing year-on-year and stood at Rs.310 crore in FY22 (40% of the total revenue in FY22; refers to the period April 1 to March 31). The sharp growth in B2B sales has been one of the drivers for growth in the scale of operations. Further, the sales of higher margin products like PGR, biologicals also witnessed increase during FY22. Pesticide formulators in India are required to register their formulations with Central Insecticide Board (CIB) and obtain license for formulation, stocking and selling of pesticides. The company conducts field trials on an ongoing basis and has a dedicated team to handle new registrations with CIB. The company currently has over 300 formulations registered with CIB. This provides JASPL with flexibility to manufacture products according to the varying geographical demand.

Wide distribution and sales network across pan India

Initially, most of the company's revenue was from northern India. However, since FY16, the company took steps to widen its presence across India by establishing new depots and adding more distributors to its network. Currently, the company's distribution network has over 30 depots and has distribution network of over 6,000 distributors. Along with the increased distribution network, the company has also been concentrating on field promotions to reach out to the farmers.

Consistent growth in scale of operations

The company has started expanding from FY14 and the total operating income has been on an increasing trend from Rs.104.86 crore in FY14 to Rs.828.61 crore for FY23. During FY23, company's TOI has shown a growth of 5.94% as compared to FY22. Over the last 5 years, the revenue has grown with a CAGR of 20.97%. The company has license to import certain technical molecules from China and JASPL sells the same to other formulators who do not have license to purchase those molecules.

Comfortable financial risk profile

The financial risk profile of the company is comfortable with an overall gearing ratio of 0.66x as on March 31, 2023, as against 1.26x as on March 31, 2022. The Company's total debt consists majorly of working capital borrowings. The company had earlier availed term loan for capex towards Sikandrabad facility. However, company has paid off the entire outstanding term loan during FY23, hence currently only working capital borrowing is outstanding. PBILDT Interest coverage moderated to 3.31x in FY23 as against 4.16xin FY22, whereas Total debt/GCA & Total debt/PBILDT stood at 3.98x times & 2.93x respectively in FY23 (FY22: 5.38x & 3.66x).

Liquidity: Adequate

The liquidity position of the company is adequate. The average utilization of the working capital limits remained comfortable at ~60% for the last twelve-month period ended Jan 2024. The current ratio stood at 1.58x as on March 31, 2023 (PY: 1.54x). However, the company has prepaid the entire term debt outstanding from its internal accruals and free cash & cash equivalents in FY23, hence going forward there is no term debt obligation. The Company had free cash & liquid investment of ~Rs.9.60 crore as on Jan 31, 2024.

Applicable criteria

Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Short Term Instruments
Pesticides & Agrochemicals
Policy in respect of non-cooperation by issuers

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Fertilizers & Agrochemicals	Pesticides & Agrochemicals

JASPL is an agro-chemical formulation company incorporated in 1986 by the 'Jhaver' group as JU Pesticides and Chemicals Private Limited and later renamed as JU Agri Sciences Private Limited in November 2014. Mr Vedant Jhaver looks after the day-to-day operations of the company. The company is engaged in the sale of crop protection and pest management products. The company has its manufacturing facility at Sikandrabad, UP, with an installed capacity of 70 KL for emulsion concentrate, 15 MT for dust powder/wettable, and 25 MT for granules.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9M2024 (UA)
Total operating income	782.12	828.61	741.07
PBILDT	69.92	53.25	58.38
PAT	43.77	32.86	37.32
Overall gearing (times)	1.26	0.66	0.24
Interest coverage (times)	4.16	3.31	7.12

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	120.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term		-	-	-	85.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	120.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (29-Mar-24)	1)CARE BBB+; Stable (06-Mar-23) 2)CARE BBB+; Stable (06-Apr-22)	1)CARE BBB+; Stable (08-Apr-21)
2	Fund-based/Non-fund-based-Short Term	ST	85.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+; ISSUER NOT COOPERATING* (29-Mar-24)	1)CARE A3+ (06-Mar-23) 2)CARE A3+ (06-Apr-22)	1)CARE A3+ (08-Apr-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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