

Modern Papers

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	5.00	CARE BBB+; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Modern Papers (MP) continue to draw strength from the strong parentage, being a 94% subsidiary of Crystal Crop Protection Limited (CCPL) and strategic importance of the firm for the parent as the firm has been set up as a backward integrated by undertaking formulations for the technical supplied by CCPL. Moreover, the facilities of MP are also backed by letter of comfort (LOC) extended by CCPL for its facilities. The ratings, further factor in the established brands of the group, wide distribution network and extensive product portfolio along with moderate financial risk profile. These strengths are, however, partially offset by its partnership constitution, muted operational performance during 9MFY25 (refers to the period from April 1 2024 to December 31 2024) with significant decline reported in the profitability margins, high dependence on CCPL for procurement of technical, working capital intensive operations, highly regulated & competitive nature of pesticides industry and vulnerability of the operations to agro- climatic conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income by more than 30% without impacting its profitability margins from the current levels on sustained basis.
- Ability of the firm to diversify its product portfolio and increase its presence in different geographies

Negative factors

- Significant Increase in the working capital Cycle beyond 170 days on a sustained basis
- Decline in income by more than 20% with further decline in PBILDT Margin from the current levels in any of the year going forward
- Any change in shareholding or reduction of CCPL's shareholding from current level or weakening of financial and credit risk profile of CCPL.

Analytical approach: Standalone, after factoring in operational and financial linkages with the parent, Crystal Crop Protection Limited.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that MP will continue to benefit from its parentage of CCPL. CARE Ratings also believes that MP shall sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters

MP is promoted by Crystal Crop group. The flagship company of the group, CCPL owns 94% stake in the firm. Both the entities are in the same line of business. MP benefits from the market position, experience, and scale of CCPL. CCPL has more than 300 molecules (technical grade pesticides) registered for import from China and established supplier's network, which provides the firm an access to highly regulated import market for technical grade pesticides. CCPL also has established portfolio of brands and wide distribution network which provides MP access to pesticide market across the country. Mr. Nand Kishore Aggarwal is the Founder Chairman of the group. He has about four decades of experience in the field of manufacturing and formulation of agro chemicals. Mr. Aggarwal spearheads areas of R&D, new product development and other strategic initiatives. His son Mr Ankur

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

Aggarwal is the Managing Director of the CCPL and has been associated with the group for the last twenty years. Mr. Ankur Aggarwal looks after the overall management of the firm and is assisted by a qualified and professional management team.

Established brands, wide distribution network and extensive product portfolio

The group markets their products in over 28 states in India through 4 regional offices, 28 branch offices and more than 7000 distribution partners as on March 31, 2024. Also, the group has a team of about 72 marketing professionals and over 800 field assistants as on March 31, 2024. CCPL & MP have a portfolio of over 100 agrochemical products under the categories of Insecticides, Fungicides, Herbicides and Plant Growth Regulators. Some of the major products include Emamectin Benzoate, Cartap Hydrochloride, Carbendazim Technical, Imidachloropid and Glyphosate. In addition to that the company also exports its products (Emamectin, Deltamethrin Tech, Cypermethrin Tech, Altrazin, Macozeb etc.) to about 10 countries in Africa, Europe and Asia. The group has a spectrum of established brands which includes Billo, Confidence 555, Looper, Missile, Tribune, Eldrin, Lara, Nidan, Rapid, Clinton, Avtar, Sure, Crizole, Partner, Grofit, Extra Super, Topper-77, Abacin, Bavistin, Apex-50, Nutrozone among others under the categories of insecticides, Fungicides, Herbicides and Plant Growth Regulators. The same would improve physical characteristics like spray ability, solubility, spread ability or stability. Further, CCPL has more than 300 molecules registered for import, which provide the company an edge over its competitors and also act as an entry barrier for new players. Off-patent products represent a highly profitable market for established generics manufacturer, who have registration capabilities, manufacturing facilities and marketing presence.

Comfortable financial risk profile

The capital structure of the firm improved and stood at 0.01x as on Mar-31, 2024 (PY: 1.10x). The total debt of the firm comprised of only working capital loan in the form of Working Capital Demand Loan (WC DL), which remained utilized to the extent of Rs.0.04 crore as on March 31, 2024 (PY: Rs.25.09 crore). PBILDT Interest Coverage ratio (PBILDT/Interest) moderated, however stood comfortable at 9.43x as on Mar-31, 2024 (PY: 12.06x). The moderation was owing to higher interest cost from increased base rates. However, the total debt/GCA of the firm, improved significantly and stood 0.00x as on March 31, 2024 as against 2.19x as on Mar-31, 2023 owing to negligible utilization of working capital limits.

Financial risk profile parent i.e. CCPL: As on Dec 31, 2024, the total debt of CCPL increased to Rs.931.32 crore availed for the purpose of funding the acquisition. The overall gearing of the company stood comfortable at 0.65x as on Dec 31, 2024.

Key weaknesses

Muted operational performance during 9MFY25

During FY24 (refers to the period from April 01, 2023 to March 31, 2024), the total operating income of the firm reported y-o-y decline of ~19% and stood at Rs.178.66 crore (PY: Rs.221.35 crore). The same was on account of the firm shifting some of its products to its parent entity i.e. CCPL, thereby leading to change in product-mix. Also, global market prices of certain molecules declined owing to over-supply from China. FY22 onwards, the PBILDT margin of MP deteriorated and has since become range bound between 7 to 10% owing to GST tax adjustments which used to be higher up to FY21. The GST rollback reduced from Rs.7.02 crore in FY21 to Rs.0.50 crore in FY22, Rs.1.65 crore in FY23 and Rs.1.87 crore in FY24. During FY24, the PBILDT margin slightly improved by 150 bps and stood at 10.40% (PY: 8.90%). Further, the PAT margin remained almost stagnant at 5.83% in FY24 (PY: 5.01%).

During FY24, the total operating income of the parent i.e. CCPL stood at Rs.2,230.30 crore during FY24 (PY: Rs.2,513.22 crore), thereby recording y-o-y moderation of ~6%. The same was owing to the impact of de-stocking owing to which the company had to curtail its B2B business to avoid creation of high-cost inventory. PBILDT margin moderated by 683 bps and stood at 9.38% in FY24 (FY22: 9.17%). The same remained almost in line with previous year.

9MFY25 performance: During 9MFY25, the total operating income of the firm reported y-o-y moderation by ~5% and stood at Rs.144.39 crore (9MFY24: Rs.151.20 crore). The PBILDT margin dipped substantially by ~1000 bps and stood at 2.48% during 9MFY25 (9MFY24: 12.49%). The same has been owing to competitive pricing in one of the key molecules and change in product-mix, thereby leading to significant increase in raw material cost to ~90% of total gross sales during 9MFY25 (9MFY24: ~74% of total gross sales). However, this was a one-time occurrence, and moving forward from FY26, operating margins are anticipated to return to previous levels.

During 9MFY25, on a consolidated basis, the parent i.e. CCPL reported total operating income of Rs. 2,042.80 crore, whereby it reported ~17% growth vis-à-vis 9MFY24. The same is on account of improved domestic volumes coupled with continuous benefits from the in-house/acquired developed brands. The PBILDT margin remained relatively stable and stood at 10.85% during 9MFY25 (PY: 10.56%). Further, PAT margin stood at 4.49% in 9MFY25 (9MFY24: 4.87%).

Dependence on CCPL for procurement of technical

MP is completely dependent on CCPL for supply of raw materials- APIs for the technical. However, approximately 83% of sales is made to CCPL and rest to other companies in the open market. Having import registration, CCPL imports technical grade pesticides

from countries like China and supplies it to MP. MP in turn sells the finished product to CCPL, which supplies them to end consumers after branding.

Constitution of entity as partnership firm

MP being a partnership firm is exposed to inherent risk of the capital being withdrawn at time of personal contingency and firm being dissolved upon the death/insolvency of the partners. In FY21, Ms Komal Aggarwal had withdrawn Rs 4.15 crore and in FY22, CCPL has withdrawn capital of Rs 148.14 crore and Rs. 0.25 crores have been withdrawn by Mr. Ankur Aggarwal. Modern Papers had given a loan to its partners of Rs. 100.99 crores as on March 31, 2021. These loans to partners along with operational flows were utilised for withdrawal of capital during FY22. Further, partnership firm has restricted access to external borrowing as credit worthiness of the partners would be the key factors affecting credit decision for the lenders.

Highly dependent upon monsoon and climatic conditions

The pesticide industry derives its sales from the agriculture sector which is highly dependent upon monsoons as well as incidence of fungal/pest attack on crops and farm income. The sales and profitability of the pesticides industry depends largely on the prevalent agro-climatic conditions. To mitigate the risk, the group has diversified its sales in terms of geography and has presence across all major states in India. 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, the group holds more than 100 registered products including both in technical grade as well as formulations.

Liquidity: Adequate

The liquidity profile of MP is adequate marked by expected gross cash accruals of Rs.2.92 crore and modest cash & bank balance of Rs. 7.94 crore as on December 31, 2024 against which it has nil long term debt obligations. The firm does not have any major capex plans or debt repayments to be serviced in the future. Any capex undertaken will be funded from internal accruals only. Fund based working capital utilization stood at around 10% for trailing 09-months ending December 2024.

The pesticide industry requires high working capital investment due to high inventory and long credit period. The commoditized nature of the products and seasonality factor (high demand during crop sowing seasons) makes the operations of the group highly working capital intensive. Around 60% sales for the whole year is done on the first half of the year and most of the sales are done on a credit of around 90 days to its customers, resulting in high debtors in the first half of the year. This results in high working capital requirement in first half of the year as compared to second half of the year. Further, due to the seasonal demand for pesticides, the group is required to stock 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 group's working capital requirement continues to remain high. MP typically has elongated cash conversion cycles. The company maintains huge inventory of raw materials as well as finished goods to counter long lead time in imports and to maintain wide distribution network respectively. The operating cycle stood at 101 days in FY24 as against 88 days in FY23. The same deteriorated due to increase in debtors.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Pesticides & Agrochemicals](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Fertilizers & Agrochemicals	Pesticides & Agrochemicals

Established in August 2008, Modern Papers (MP) is a partnership firm of Crystal Crop Protection Ltd. (CCPL, 94%) and the promoters of CCPL (6%). MP is engaged in formulations of pesticides. The firm mainly procures technical grade pesticides from CCPL. Having import registration, CCPL imports technical grade pesticides from countries like China and supplies it to MP. MP in

turn sells the finished product to CCPL, who supplies them to end consumers after branding. CCPL established a manufacturing plant for Agrochemicals at Bari Brahmana, Jammu & Kashmir under MP to avail excise duty and income tax benefits offered by Government of J&K which is now over. Though, it still enjoys some benefits in J&K.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	221.35	178.66	144.39
PBILDT	19.70	18.59	3.58
PAT	11.09	10.42	1.86
Overall gearing (times)	1.10	0.01	0.69
Interest coverage (times)	12.06	9.43	2.75

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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		-	-	-	20.00	CARE BBB+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	5.00	CARE BBB+; Stable / CARE A3+

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	20.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)	1)CARE BBB+; Stable (17-Mar-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	5.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (06-Mar-24)	1)CARE BBB+; Stable / CARE A3+ (30-Mar-23)	1)CARE A3+ (17-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of 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:

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