

Punjab Chemicals and Crop Protection Limited

June 22, 2020

Credit Update

Punjab Chemical and Crop Protection Limited (PCCPL) via its press release dated June 12, 2020 and June 16, 2020 had notified the exchange that company had received a show cause notice (SCN) from the Adjudicating Officer of the Securities and Exchange Board of India (SEBI).

With respect to the announcement and as mentioned in the said intimation, the same pertains to the issuance of a SCN by the Adjudicating Officer of SEBI pursuant to the provisions of Rule 4 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 read with Section 23E of the Securities Contracts (Regulation) Act, 1956 and Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15 HB of the SEBI Act, 1992. The SCN has been issued for alleged non-disclosure of information to the stock exchanges under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) pertaining to certain alleged liabilities that have/may have devolved on the company's subsidiaries/erstwhile subsidiaries in relation to certain transactions undertaken by them in Argentina. Further, the SCN alleges that the company and certain directors, while determining whether such alleged devolution of debt was material information or not, had not applied the provision of Regulation 30 (4) (i) of the LODR Regulations.

On discussions, we understand that PCCPL is currently in the process of obtaining necessary legal advice in relation to the SCN and is expected to take appropriate action with regards to the same in due course. Further, given that proceedings are at initial stages, expected financial implications due to compensation, penalty if any cannot be determined. CARE has taken a note of the same.

Company Background

PCCPL (listed on NSE & BSE, with market capitalization of Rs.546 crore at market price of Rs.445 per share; closing price as on June 18, 2020). The company operates under four distinct divisions namely Agro chemicals, Pharmaceuticals, Intermediates, Chemicals & International Trading.

Agro and Base chemicals division (Derabassi, Punjab): The Agro chemicals division is a major focus area of PCCPL. The company is present in entire value chain including intermediates, technicals, bulk formulations and branded formulations. Major products include Oxalic Acid and Diethyl Oxalate. Agrochemicals include Herbicides, Insecticides and Fungicides.

Specialty and Other Chemicals (Lalru): Manufacturing of API's and Intermediates. The division also produces a range of derivatives from Gallic Acid.

Industrial chemicals (Pune): The industrial chemical division makes Phosphoric acid by thermal process with the certification of FSSC: 22000 and supplying Food Grade Phosphoric.

International Trading (Mumbai): The division sources and imports chemicals from the overseas market to cater to the requirements of domestic customers. Major products range from pharmaceuticals to agrochemicals, dyestuff to resins, paints, cosmetics & others

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	FY20 (UA)
Total operating income	505.13	648.89	562.21
PBILDT	54.63	73.87	55.09
PAT	17.18	16.80	16.22
Overall gearing (times)	1.69	1.05	0.85
Interest coverage (times)	3.09	4.28	3.28

A: Audited; UA: Unaudited

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2022	15.00	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	20.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Loan Equivalent Risk	-	-	-	5.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB-; Stable	-	-	-	-
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	20.00	CARE BBB-; Stable / CARE A3	-	-	-	-
3.	Non-fund-based - ST-Loan Equivalent Risk	ST	5.00	CARE A3	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
i Margins on Fund based limits	PCFC/PSFC – 10% on FOB value/order value Cash credit - Margin of 25% on all inventory and book debts Sales Invoice Discounting – 15% of Invoice value
ii. Margins on Non Fund based limits	10% cash margin
iii. Total Debt/EBITDA	Half yearly $\leq 0.60x$
iv. TOL/TNW	Half yearly $\leq 2.20x$
v. Consolidated Debt/TNW	Should not be more than 1x
B. Non-financial covenants	
i Submission of Annual and Quarterly financial Statements	Two copies of audited balance sheet to be submitted not later than 180 days from the close of a financial year
ii Submission of stock and debtors statement	Monthly stock statements and book debt to be submitted within 20 days of month end. Quarterly financial statements to be submitted within 45 days from the date end of the quarter Annual financial statements - Provisional results within 90 days of financial year end - Audited results within 180 days of financial year end

Annexure - 4: List of Subsidiaries consolidated

	Subsidiary	% shareholding
	Direct Subsidiaries	
1.	SD AgChem (Europe) NV	100%

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