JULY 13, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENTS OF UPL LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long/Short-term Bank Facilities (Fund-based limit)	1,750	**CARE AA+/CARE A1+ (Double A Plus/ A One Plus)**	Reaffirmed
Short-term Bank Facilities (Non-fund-based limit)	750	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**2,500 (Rupees Two Thousand Five Hundred crore only)**		
Non-Convertible Debenture issue	850 (Rupees Eight Hundred Fifty crore only)	**CARE AA+ (Double A Plus)**	Reaffirmed
Non-Convertible Debenture (NCD) issue*	-	-	Withdrawal

*NCD issue of Rs.150 crore withdrawn

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities and instruments of UPL Limited (UPL) continues to derive strength from the dominant market position of UPL in the global agrochemical market, synergies derived from acquisitions, strong and diversified product portfolio, integrated and diversified operations across geographies, healthy revenue growth and profitability margins and comfortable liquidity position. The ratings are further strengthened by adequate risk mitigation measures undertaken by the company including insuring receivables, hedging majority of open foreign currency fluctuation risk, inventory management and strategic procurement tie-ups. CARE has also factored synergies arising from merger of Advanta Limited (Advanta; rated 'CARE A- (credit watch)/CARE A2+ (credit watch)') with UPL, leading to financial savings and completion of integration in agriculture value chain albeit marginal short-term impact on the capital structure of UPL.

The ratings strengths are, however, tempered by, high working capital intensity, the impact of seasonality on the overall working capital cycle and regulatory risk associated with agrochemicals usage.

Any significant debt-funded acquisitions, any adverse regulatory development and efficient working capital management will be the key rating sensitivities.

CARE has withdrawn the rating assigned to the Non-Convertible Debenture of Rs.150 crore of UPL with immediate effect, as the company has fully repaid the amount under the said issue and there is no amount outstanding under the issue as on date.

Background

UPL Limited (UPL, erstwhile known as United Phosphorus Limited) has a track record of more than 30 years and is promoted by Mr R. D. Shroff and family. As on March 31, 2016, the promoter group held 29.73% stake in the company. UPL group is one of the leading agrochemical companies with a widespread presence across the globe through various subsidiaries/associates as reflected by an average 79% of consolidated net sales being contributed through sales outside India for the past three years (FY14-FY16; refers to the period April 1 to March 31). The group has emerged as one of the largest generic agrochemicals player in the world, having presence in various segments including crop protection products, intermediates, specialty chemicals and other industrial chemicals. UPL's growth strategy is built around filing its own registrations globally and acquiring tail end brands through acquisitions/investments of global majors in regulated markets. The company has presence in 120 countries and production units in 28 countries including 13 units in India. UPL holds 4,976 product registrations indicating extensive market acceptance and 136 product patents as on March 31, 2016.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

In November 2015, the Board of Directors of UPL and Advanta, approved merger of Advanta with UPL. The appointed date for merger is April 1, 2015. In FY17, UPL has acquired 26% stake for Rs.10 crore in Weather Risk Management Private Limited (WRMS) - an entity which provides agriculture risk management solutions.

At consolidated level, the profit after tax (PAT) of UPL stood Rs.1,291 crore on total operating income of Rs.13,340 crore in FY16 vis-à-vis PAT of Rs.1,169 crore on total operating income of Rs.12,177 crore in FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CIN - L67190MH1993PLC071691