OCTOBER 16, 2015

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

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	1,750	**CARE AA+ (Double A Plus)**	Reaffirmed
Short term Bank Facilities	750	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**2,500 (Rupees Two Thousand Five Hundred crore only)**		
Non-Convertible Debentures issue	1,000 (Rupees One Thousand crore only)	**CARE AA+ (Double A Plus)**	Reaffirmed
Non-Convertible Debenture issue	250 (Rupees Two Fifty crore only)	**-**	Withdrawal

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 safety measures undertaken by the company to protect against credit risks including insuring receivables and hedging part of open foreign currency fluctuation risk.

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 and any adverse development due to regulatory related issues will be the key rating sensitivities.

Background

UPL (erstwhile known as United Phosphorus Limited - CIN: L24219GJ1985PLC025132) has a track record of more than 30 years and is promoted by Mr R. D. Shroff and family. As on June 30, 2015, the promoters held 57.95% 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 in around 72% of consolidated net sales being contributed through sales outside India in FY15 (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 122 countries with production units in 28 countries including 13 units in India and 15 outside India. UPL holds more than 4,000 product registrations and 83 product patents as on March 31, 2015.

During FY15, as a part of strategic investments for improving market penetration in Brazilian market, the UPL group increased its stake in UPL Do Brasil to 100% from 73% and acquired 40% stake in the Sinagro group, a Brazilian company. The total consideration for acquiring additional stake in the above two entities is Rs.708 crore to be funded through internal accruals in the company.

At consolidated level, the adjusted PAT of UPL stood Rs.1,447 crore on total operating income of Rs12,172 crore in FY15 (refers to the period April 1 to March 31) vis-à-vis adjusted PAT of Rs.1,176 crore on a total operating income of Rs.10,850 crore in FY14. Also, in Q1FY16 (unaudited), UPL's adjusted PAT stood at Rs.277 crore on a total operating income of Rs.3,069 crore vis-à-vis adjusted PAT of Rs.301 crore on a total operating income of Rs.2,777 crore in Q1FY15 (unaudited).

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

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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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