NOVEMBER 08, 2016

CARE ASSIGNS RATING TO THE COMMERCIAL PAPER PROGRAMME OF UPL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Commercial Paper*	100.00 (Rupees One Hundred crore only)	**CARE A1+ (A One Plus)**)	Assigned

**Based on the undertaking from UPL Limited that the drawing power of sanctioned fund-based working capital bank limits will remain unutilised to the extent of outstanding rated commercial paper.*

Rating Rationale

The rating assigned to the Commercial Paper (CP) programme of UPL Limited (UPL, rated 'CARE AA+/CARE A1+ for the bank facilities and instruments) derives 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 rating is 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 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 rating 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 constitute the key rating sensitivities.

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 September 30, 2016, the promoter group held 27.76% equity 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.
Based on the High Court order, the scheme of merger of Advanta with UPL has come to effect from July 20, 2016. Also, in FY17, UPL 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.

Analyst Contact

Name: Ms. Smita Rajpurkar
Tel: 022 6754 3458
Email: smita.rajpurkar@careratings.com

****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.

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

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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