UPL Limited

July 24, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long/Short-term Bank Facilities (Fund-based limit)	1,750 (One Thousand Seven Hundred Fifty Crore only)	**CARE AA+ / CARE A1+ (Double A Plus / A One plus) (Under credit watch with developing implications)**	Placed on credit watch with developing implications
Short-term Bank Facilities (Non-fund-based limit)	750 (Rupees Seven Hundred Fifty Crore only)	**CARE A1+ (A One plus) (Under credit watch with developing implications)**	Placed on credit watch with developing implications
Total Facilities	**2,500 (Rupees Two Thousand Five Hundred crore only)**		
Non-Convertible Debenture issue	1,350 (Rupees One Thousand Three Hundred Fifty crore only)	**CARE AA+ (Double A Plus) (Under credit watch with developing implications)**	Placed on credit watch with developing implications
Commercial Paper	100 (Rupees Hundred crore only)	**CARE A1+ (A One plus) (Under credit watch with developing implications)**	Placed on credit watch with developing implications

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the ratings assigned to various bank facilities/instruments of UPL Limited (UPL) on 'credit watch with developing implications' following UPL announcing to buy Arysta LifeScience Inc. and its subsidiaries (collectively Arysta) for approximately US$4.2 billion in cash. UPL's wholly owned subsidiary in Mauritius, UPL Corporation Limited (UPL Corp), signed a definitive agreement with U.S.A based Platform Specialty Products Corporation to acquire its agrochemical business i.e. Arysta, a global provider of innovative crop protection solutions, including BioSolutions and Seed Treatment, subject to customary closing conditions and regulatory approvals. This transaction is expected to be backed by equity investment of USD 1.2 billion from Abu Dhabi Investment Authority and TPG Capital, wherein they both will invest 600 million each for a combined stake of 22% in UPL Corp and debt financing of USD 3 billion for the balance from banks/financial institutions.

CARE is in the process of seeking additional information and clarifications from UPL Ltd, on the basis which, CARE will take a view on the ratings once the exact implications of the above development on the business and overall credit risk profile of the company are clear.

Analytical approach:

CARE has analysed UPL's credit profile by considering the consolidated financial statements of the group owing to financial and operational linkages between the parent and subsidiaries, common management and fungible cash flows, and various corporate guarantees provided by UPL to various subsidiaries for raising debt.

Applicable Criteria

CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies
Rating Methodology: Factoring Linkages in Rating

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

About Arysta

Arysta (Arysta LifeScience Inc. and its subsidiaries), is a global provider of innovative crop protection solutions, including BioSolutions and Seed Treatment having presence in geographies such as Eastern Europe, Russia, Africa, etc. It has about 13 formulation facilities close to 7,000 registrations. In CY17 it reported net sales of approx. USD 1.9 billion and PBILDT of approx. USD 400 million.

About the Company

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, 2017, the promoters held 30.27% 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 80% of consolidated revenue 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 more than 130 countries and production units in 33 countries including 13 units in India. UPL holds 5,000 product registrations indicating extensive market acceptance and 200 product patents as on March 31, 2017.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	16,668	17,601
PBILDT	3,346	3,712
PAT	1,733	2,030
Overall gearing (times)	0.98	0.87
Overall Net gearing (Times)	0.59	0.54
Interest coverage (times)	4.55	4.74

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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
Non-fund-based-Short Term	-	-	-	750.00	CARE A1+ (Under Credit watch with Developing Implications)
Fund-based - LT/ ST-Cash Credit	-	-	-	1750.00	CARE AA+ / CARE A1+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	-	-	-	300.00	CARE AA+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	-	-	-	300.00	CARE AA+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	-	-	-	250.00	CARE AA+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	-	-	-	500.00	CARE AA+ (Under Credit watch with Developing Implications)
Commercial Paper	-	-	-	100.00	CARE A1+ (Under Credit watch with Developing Implications)

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA+ (Under Credit watch with Developing Implications)	-	1)CARE AA+; Stable (20-Oct-17)	1)CARE AA+ (13-Jul-16)	1)CARE AA+ (21-Oct-15)
2.	Non-fund-based-Short Term	ST	750.00	CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE A1+; Stable (20-Oct-17)	1)CARE A1+ (13-Jul-16)	1)CARE A1+ (21-Oct-15)
3.	Fund-based - LT/ ST-Cash Credit	LT/ST	1750.00	CARE AA+ / CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE AA+; Stable / CARE A1+ (20-Oct-17)	1)CARE AA+ / CARE A1+ (13-Jul-16)	1)CARE AA+ (21-Oct-15)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (21-Oct-15)
5.	Debentures-Non Convertible Debentures	LT	300.00	CARE AA+ (Under Credit watch with Developing Implications)	-	1)CARE AA+; Stable (20-Oct-17)	1)CARE AA+ (13-Jul-16)	1)CARE AA+ (21-Oct-15)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)CARE AA+ (21-Oct-15)
7.	Debentures-Non Convertible Debentures	LT	300.00	CARE AA+ (Under Credit watch with Developing Implications)	-	1)CARE AA+; Stable (20-Oct-17)	1)CARE AA+ (13-Jul-16)	1)CARE AA+ (21-Oct-15)
8.	Commercial Paper	ST	100.00	CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE A1+ (20-Oct-17)	1)CARE A1+ (08-Nov-16)	-
9.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA+ (Under Credit watch with Developing Implications)	-	1)CARE AA+; Stable (20-Oct-17)	-	-

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