Excel Crop Care Limited
Beyond crop protection. Behind every farmer

ECCL/SEC/2016

8th June, 2016

To,
BSE Limited
Listing Department,
Phiroze Jeejebhoy Towers,
Dalal Street,
Mumbai - 400 001
Fax Nos.:22723121/2037/2039

The National Stock Exchange of India
Listing Department,
Exchange Plaza,
Bandra Kurla Complex
Bandra East,
Mumbai - 400 051
Fax Nos.: 26598237 / 26598238

Sub: Change in CRISIL Rating

Dear Sir/Madam,

The Company's Bank Loan Facilities aggregating ₹200 crore are rated by CRISIL as follows:

Long Term Rating : CRISIL A+/Stable
Short Term Rating : CRISIL A1+

On 7th June, 2016, CRISIL has placed the Company Ratings on 'Watch developing'.

Kindly acknowledge receipt of the same

Thanking you,

Yours faithfully,
For Excel Crop Care Limited

Pravin D. Desai
V.P. – Legal and Company Secretary

CRISIL
An S&P Global Company

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Company Factsheet

Excel Crop Care Limited

Rating Outstanding as on 08-Jun-2016
Industry : Chemicals

Instrument Category	Rating	Rating Outlook	Instrument Details
Long Term	CRISIL A+ *		view
Short Term	CRISIL A1+ *		view

Rating Rationales

07-JUN-2016
Excel Crop Care Limited Ratings placed on 'Watch developing'

Criteria Document

CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Manufacturing Companies
CRISILs Approach to Financial Ratios
Rating Criteria for Chemical Industry
Criteria for rating Short-Term Debt (including Commercial Paper)

Highlighted Policies | Regulatory Disclosures | Ratings Investor Grievances | Privacy and Cookie Notice | Disclaimer | Pay online | Terms of Use |

Credit Rating Report
Excel Crop Care Limited

Total Bank Loan Facilities Rated	Rs.2000 Million
Long-Term Rating	CRISIL A+/Stable (Reaffirmed)
Short-Term Rating	CRISIL A1+ (Reaffirmed)

(Refer to Annexure 1 for facility details)

Rs.500 Million Commercial Paper	CRISIL A1+ (Reaffirmed)

Rating Drivers

Strengths
- Established market position in the domestic crop-protection business
- Healthy financial risk profile

Weakness
- Exposure to regulatory risks and susceptibility to adverse climatic conditions

Rating sensitivity factors
- Revenue from new products and profitability
- Adverse climatic conditions in key operating geographies
- Capital expenditure (capex) plans or acquisitions and their funding mix
- Impact of regulatory changes

Outlook: Stable

CRISIL believes Excel Crop Care Ltd's (ECCL's) business risk profile will improve steadily over the medium term, driven by new product launches and marketing initiatives, geographical expansion and healthy demand prospects for agrochemicals. CRISIL believes that continuity of ECCL's current ownership structure and management will also support the business risk profile improvement over the medium term. The outlook may be revised to 'Positive' in case of a substantial improvement in revenue and profitability, along with prudent working capital management. Conversely, the outlook may be revised to 'Negative' in case of significantly low cash flow from operations, or a stretched working capital cycle, or large, debt-funded capex or acquisitions.

Liquidity

ECCL has adequate liquidity. The bank line utilisation was low, at an average of 21.53 percent of its drawing power over the 12 months through September 2015. The net cash accrual was over Rs.500 million, sufficient to meet the debt obligation of Rs.62.4 million in 2015-16 (refers to financial year, April 1 to March 31) and Rs.28.7 million in 2016-17. The company is also expected meet its annual capex requirement of around Rs.350 million per annum and working capital requirements largely from its cash accrual over the medium term, thereby restricting its reliance on bank debt. ECCL also had liquid assets of around Rs.222 million as on March 31, 2015, and an estimated current ratio of 1.82 times as on March 31, 2016. CRISIL believes ECCL will maintain adequate liquidity over the medium term.

About the Company

ECCL manufactures crop-protection chemicals. In 2014-15, the company derived around 41 percent of its revenue from insecticides, 36 percent from herbicides, and the remaining from fungicides and other products. Its key products include glyphosate, chlorpyriphos, aluminium phosphide, profenophos, and zinc phosphide.

The Supreme Court banned the production and sale of endosulfan, a key product for ECCL, in India with effect from May 13, 2011. The company discontinued manufacturing of the product post the ban and wrote off the inventory gradually by March 31, 2015.

The Competition Commission of India levied a fine of Rs.639 million on ECCL in April 2012 for alleged cartelisation in aluminium phosphide tablets. The Competition Appellate Tribunal has reduced the penalty to Rs.29.2 million. ECCL has appealed before the Supreme Court against the tribunal's order and made a provision of Rs.29.2 million during 2013-14.

The ratings reflect ECCL's following strengths:

Established market position in crop-protection business

ECCL is an established player in the crop-protection industry in India, supported by its strong and recognised brands and extensive distribution network. The company has strengthened its relationships with farmers through initiatives such as the integrated pest-and crop-management advice programme, and has built a strong franchise and brand recall among farmers. It has presence across the agricultural value chain; its product range includes bio-products that cater to soil management, besides bio-pesticides, seed treatment and plant growth promoters, and crop protection products. The company works through the entire crop cycle with farmers to understand their crop needs and educate them about new products; the company has a strong distribution network of 4,000 dealers who make its products available in over 80 percent of India's agricultural market. Also, in the recent past, the company expanded its presence beyond the traditional and large agrochemical consuming areas, such as Andhra Pradesh, Punjab, Haryana, and Maharashtra, to non-traditional areas, such as Assam, West Bengal, parts of Uttar Pradesh, Rajasthan, and Madhya Pradesh, and is working with farmers in these states on different crops.

ECCL has tied up with multinational corporations (MNCs) to market their complementary products through its distribution channel. It proposes to increase the share of complementary products in its revenues over the medium term. Furthermore, it plans to introduce new products in the domestic market over the medium term to drive revenue growth.

While exports provide diversity to ECCL's revenue, the company faces intense competition in the international market, including from China; exports accounted for 33 percent of ECCL's revenue in 2014-15. ECCL currently sells its products in Latin America, Africa, Asia, and neighbouring countries such as Sri Lanka, Bangladesh, and Pakistan, and is particularly strong in key markets such as Brazil and Argentina; ECCL has tied up with local companies in these countries to market its products.

CRISIL believes ECCL's broad product portfolio, plans to introduce new products, strong relationships with farmers, and established distribution network will help the revenue grow at a compound annual growth rate (CAGR) of 7 percent over the medium term.

Healthy financial risk profile

ECCL's financial risk profile is healthy because of low gearing and adequate debt protection metrics. The networth is healthy, at Rs.3.35 billion as on March 31, 2015, and helps buttress the impact of fluctuations in cash generation because of susceptibility of sales to fluctuations in monsoon. The gearing is low, at 0.22 time as on March 31, 2015 (0.15 time a year earlier), supported by steady cash generation, progressive debt repayment, and modest capex. Also, ECCL's key debt protection ratios remain healthy, with net cash accrual to total debt and interest coverage ratios at 0.14 time and 17.10 times, respectively, for 2014-15.

ECCL posted a revenue growth of 13.58 percent between 2011-12 and 2014-15. In the first half of 2015-16, however, the revenue posted negative growth of 15.54 percent compared to corresponding period last year, partly on account of pass on of lower input cost and also due to drop in volumes following second consecutive year of erratic rainfall in the domestic market and lower offtake from export markets, especially Brazil and other Latin American countries. Product realisation in its key molecules (chlorpyrifos, profenofos, and glyphosate products) also saw a decline owning to reduced offtake from both domestic and export market, along with reducing input cost. Despite the volume decline, the company has been able to maintain healthy profitability margins at around 14.5 percent in the first half of 2015-16.

ECCL's revenue and cash accrual are expected to improve over the medium term supported by contribution of new products and expansion into newer geographies and steady growth in sales of manufactured and traded products. The company is likely to report steady revenue growth of 7 percent and maintain operating profitability at 9-11 percent over the medium term.

Over the medium term, the company plans to continue to invest in capex programmes and thereby incur cost amounting to Rs.350 million annually, primarily towards enhancing its capacity, which will be funded entirely through internal accrual.

Moreover, with slower offtake due to two consecutive inconsistent monsoons many players in the industry were impacted by inventory pile up and delayed payments, leading to a stretched working capital cycle, and hence higher-than-expected debt levels. However, in the first half of 2015-16, the company has been able to manage its working capital cycle prudently and also rather reduced its reliance on working capital borrowings.

CRISIL believes ECCL will maintain its healthy financial risk profile over the medium term, supported by steady cash accrual, modest capex, and prudent working capital management.

These strengths are partially offset by the following weaknesses:

Exposure to regulatory risks and susceptibility to adverse climatic conditions

The agrochemicals industry is highly regulated by specific and different registration processes in different countries, and is subject to various environmental rules and regulations. The change in export and import policies of other countries will have an impact on Indian agrochemical manufacturers. Also, the government policy is, at present, in favour of export of agrochemicals. Some of the key inputs for the manufacture of agrochemicals are imported. Any unfavourable revision in India's policy with respect to pollution control or the import and export of agrochemicals and inputs will have an adverse impact on agrochemical manufacturers in India, including ECCL.

The demand for agrochemicals is driven by agricultural production, which depends on the monsoon, especially in India. The fortunes of domestic agrochemicals industry are, therefore, linked to rainfall. Surplus or inadequate rainfall could affect revenue and profit margins of domestic players. Despite increasing awareness among farmers about better irrigation mechanisms, a substantial area under cultivation in the country is still not well irrigated, and depends on the monsoon to meet water requirements. This renders ECCL's agrochemical revenues and profitability susceptible to fluctuations in rainfall.

<u>Financial Policy</u>

ECCL has followed a conservative financial policy in recent times, with gearing of less than 0.60 time over the past five years and currently stood at 0.22 time as on March 31, 2015. Gearing is expected to improve owing to steady cash accrual, modest capex plans, and prudent working capital management.

The company currently has a policy of hedging its receivables and payables through forward cover for its major transactions. The dividend payout ranged from 11 to 28 percent in the past, and CRISIL expects the trend to continue.

Excel Crop Care Limited- Financial Summary

Year Ended		**31-Mar-15**	**31-Mar-14**	**31-Mar-13**
Net Sales	Rs. Million	9965	9,502	7,624
Operating Income	Rs. Million	10226	9,815	7,842
OPBDIT	Rs. Million	962	1,046	546
PAT	Rs. Million	620	659	213
Net Cash Accruals	Rs. Million	625	637	315
Equity Share Capital	Rs. Million	55	55	55
Tangible Networth	Rs. Million	3353	2941	2,421
Total Debt	Rs. Million	741	428	801
OPBDIT Margins	%	9.4	10.7	7.0
Net Profit Margins	%	6.1	6.7	2.7
ROCE	%	21.5	27.5	12.4

PBDIT / Int. & Finance Charges	Times	16.41	21.31	4.16
Net Cash Accruals / Total Debt	Times	0.84	1.49	0.39
Adjusted Debt / Adjusted Networth	Times	0.22	0.15	0.33
Current Ratio	Times	1.69	1.52	1.60
Cash flow from operations	Rs. Million	40.39	38.89	48.38
TOL/ANW	Times	0.93	1.15	1.08
Operating Income/Gross Block	Times	4.09	4.30	3.64
Gross Current Asset Days	Days	169	179	169

Nine months ended		**30-Sept-15**	**30-Sept-14**
Operating Income	Rs. Million	5351	6335
OPBDIT	Rs. Million	775	913
PAT	Rs. Million	502	618
OPBDIT Margins	%	14.49	14.43
Net Margins	%	9.37	9.75
Interest Coverage	Times	35.07	44.14

Note: YTD Data is not comparable with financial summary data because of limited availability of information.

Annexure - Bank details of various facility classes

Cash Credit *

Name of the Bank	**Rs. Million**	**Rating**
Bank of India*	562.5	CRISIL A+/Stable
Syndicate Bank*	300.0	CRISIL A+/Stable
State Bank of India*	300.0	CRISIL A+/Stable
Citibank^	150.0	CRISIL A+/Stable
ICICI Bank^	187.5	CRISIL A+/Stable
Total	**1500.0**	

**Interchangeable with bill discounting and working capital demand loan facilities.*

^ Interchangeable with bill discounting and working capital demand loan facilities. Fully Fungible

Letter of Credit^

Name of the Bank	**Rs. Million**	**Rating**
Bank of India	275.0	CRISIL A1+
Syndicate Bank	135.0	CRISIL A1+
State Bank of India	90.0	CRISIL A1+
Total	**500.0**	

^Interchangeable with bank guarantees.