

Rating Rationale

August 25, 2025 | Mumbai

Punjab Chemicals and Crop Protection Limited

Rating reaffirmed at 'Crisil BBB+/Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore (Enhanced from Rs.25 Crore)
Long Term Rating	Crisil BBB+/Stable (Reaffirmed)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil BBB+/Stable' rating on the long term bank facilities of Punjab Chemicals and Crop Protection Limited (PCCPL)

The rating reflects the established market position of the company, its strong client relationships and healthy scale of operations along with its comfortable financial risk profile. These strengths are partially offset by the customer concentration risk in revenues and exposure to regulatory changes, and seasonality in the agrochemicals sector.

Analytical Approach

Crisil Ratings has consolidated business and financial risk profile of PCCPL and its wholly owned subsidiary, SD AgChem (Europe) NV (SDAC) which are strategically important to and have a significant degree of operational integration with PCCPL. Crisil considers these entities as being strategic to PCCPL in view of their strong integration with PCCPL's operations.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position backed by extensive promoter experience:** Backed by the promoter experience of over 5 decades in the Industry, PCCPL has established itself as a low-cost operator and has established a good position in the market for sale of its products under CMO, CRAMs and Inhouse manufacturing. Over the years, it has developed healthy relationships with the clientele and supplier and has established presence in the exports and domestic market as well, with exports contributing to around 40% of overall revenues in fiscal 2025. While most exports revenues are from the European market, the group has a presence across diverse end-user segments like agrochemical, industrial chemicals, and fine/specialty chemical industries. Crisil Rating believes that extensive promoter experience and the group's established position in the market will continue to support the business risk profile.
- Strong client relationships and a healthy scale of operations:** The group, over the year, has established a healthy relationship with its key customers. The clientele includes some of the reputed companies in domestic as well as exports market. Backed by the same, the group has been receiving steady order flow leading to a healthy scale of operations. Group achieved revenues flattish revenues of Rs 900 crores in fiscal 2025 as compared to 934 crores in fiscal 2024 largely on account of muted demand from both domestic as well as exports market. However, with continuous launch of new products in its specialty chemicals segment, improving raw material prices has led to an improvement in the price realization and thus offsetting a decline in the volume of sales. In Q1 of fiscal 2026, company achieved a revenue of Rs 320 crores (a 37% year on year on increase from Q1 fiscal 2025) led by the improvement in volume sales coupled with better realization. Overall business risk profile of the group remains supported by the strong customer relationship and thus a repeated order flow from existing customers for existing products and healthy scale-up in the new products leading to higher-than-expected revenue growth will be a key monitorable.
- Healthy financial risk profile:** Financial risk profile is healthy as reflected in net worth of Rs 359.13 crores as on March 31, 2025 (Rs 325.86 crores as of March 2024) led by the healthy accretion to the reserves over the years. Moderate reliance on the outside debt and creditors for working capital cycle has kept capital structure at comfortable levels as reflected in the gearing and total outside liabilities to tangible net worth ratio of 0.44 times and 1.2 times, respectively, as

on March 31, 2025. Debt protection metrics were comfortable, as indicated by interest coverage and net cash accrual to adjusted debt ratios of 5.5 times and 0.38 times, respectively, in fiscal 2025. Although the financial risk profile is expected to be comfortable, any larger than anticipated debt or cost overruns in any capex would remain monitorable.

Weaknesses:

- **Customer concentration in revenue profile:** The group faces significant customer concentration risks. Its 3 major customers account for more than 50 per cent of its total sales. The high customer concentration makes the group's revenue growth and profitability dependent on its key customers' future growth plans. However, the company is adding new customers to reduce customer concentration and will remain key monitorable.
- **Exposure to regulatory changes, and seasonality in the agrochemicals sector:** The domestic agrochemical formulations industry has many organized players with regional presence. The company faces intense competition from organized as well as unorganized players in the domestic market. Also, the domestic agrochemicals sector is dependent on monsoon and the level of farm income. The fortunes of the sector are, therefore, linked to the quantum, timing, and distribution of rainfall in a year, exposing the players' revenue to seasonal trends. Besides, surplus, or inadequate rainfall could hit the profitability of players and lead to build-up in the working capital requirement. As the company's operating margin has remained volatile between 12% to 15% over the last four fiscal years ended fiscal 2025 and will remain monitorable.

Liquidity: Adequate

Bank limit utilization of fund based, and non-fund-based limits is moderate at around 55 percent for the past twelve months ending June 25. Cash accruals are expected to be over Rs 77 crores, which are sufficient against term debt obligation of Rs 18.2 crore over the medium term. In addition, it will act as a cushion to the liquidity of the company.

Current ratio is healthy at 1.51 times on March31, 2025. The company had cash and cash equivalents of Rs 17.9 crores which remain entirely free.

Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

Crisil Ratings believes the group will continue to benefit from its established market position, healthy relationships with the clientele and its comfortable financial risk profile.

Rating sensitivity factors

Upward factors:

- Sustained improvement in revenue and sustained healthy operating margins leading to cash accruals above Rs 80 crores on a sustained basis.
- Sustenance of healthy financial risk profile and liquidity.

Downward factors:

- Decline in revenue or moderation in operating margins to below 7% leading to a significant decline in net cash accruals.
- Stretch in working capital cycle or larger than anticipated debt funded capex or large dividend leading to weakening of financial risk profile

About the Group

Incorporated in 1975, PCCPL is owned & managed by Mr Shalil S Shroff. It is engaged in manufacturing agrochemicals and Contract Research and Manufacturing (CRAMS). Its products include agrochemicals (Technical), API's, Pharmaceutical Intermediates, Phosphorous Derivatives and Speciality Chemicals.

PCCPL has three manufacturing facilities, one each located at Lalru (Punjab), Derabassi (Punjab) and Pune (Maharashtra).

SDAC is the marketing arm of the group in Europe with various registrations for immediate supply of the Company's products in the region.

Key Financial Indicators: Consolidated

As on / for the period ended March 31		2025	2024
Operating income	Rs crore	900.76	934.26
Reported profit after tax	Rs crore	38.93	53.58
PAT margins	%	4.32	5.74
Adjusted Debt/Adjusted Net worth	Times	0.44	0.37
Interest coverage	Times	5.59	5.46

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	10.00	NA	Crisil BBB+/Stable
NA	Long Term Loan	NA	NA	31-Mar-30	25.00	NA	Crisil BBB+/Stable
NA	Working Capital Term Loan	NA	NA	30-Jun-28	15.00	NA	Crisil BBB+/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Punjab Chemicals and Crop Protection Limited	Full	Parent
SD Agchem (Europe) NV	Full	subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	50.0	Crisil BBB+/Stable		--	11-11-24	Crisil BBB+/Stable	17-08-23	Crisil BBB+/Stable		--	--
			--		--		--	07-08-23	Crisil BBB+/Stable		--	--
			--		--		--	30-01-23	Crisil BBB+/Stable		--	--
Non-Fund Based Facilities	ST		--		--		--	17-08-23	Crisil A2		--	--
			--		--		--	07-08-23	Crisil A2		--	--
			--		--		--	30-01-23	Crisil A2		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Long Term Loan	25	HDFC Bank Limited	Crisil BBB+/Stable
Proposed Fund-Based Bank Limits	10	Not Applicable	Crisil BBB+/Stable
Working Capital Term Loan	15	SVC Co-Operative Bank Limited	Crisil BBB+/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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