Crisil Ratings

Rating Rationale

March 10, 2025 | Mumbai

Sharda Cropchem Limited

Rating reaffirmed at 'Crisil A1+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.456 Crore**
Short Term Rating	**Crisil A1+ (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 A1+' rating on the short-term bank facilities of Sharda Cropchem Limited (SCL).

The rating continues to reflect the healthy business risk profile of SCL, driven by healthy product registrations, dominant presence in the regulated markets of North America Free Trade Agreement (NAFTA) and Europe, and strong financial risk profile. These strengths are partially offset by inherently working capital-intensive operations that peak during January-March, and susceptibility of operations to uneven monsoon and regulatory changes inherent in the agricultural chemicals (agro-chem) industry.

SCL witnessed a strong recovery in revenue and operating profitability during fiscal 2024. After having declined by 21% in fiscal 2024, revenue has grown nearly 35% (year-on-year or y-o-y) to Rs 2,491 crore during the first nine months of fiscal 2025, as against Rs 1,851 crore in the corresponding period of the previous fiscal. The agrochemical segment (84% of revenue in the first nine months of fiscal 2025) saw revenue grow by 46% to Rs 2,082 crore, aided by healthy double-digit year-on-year recovery across key export regions - Europe (+48%), NAFTA (+52.3%), Latin America (LatAm+23.6%) and Rest of the World (RoW+32.7%). The non-agrochemical segment (16% of revenue) saw revenue de-grow by 4% y-o-y to Rs 409 crore, during the first nine months of fiscal 2025, amid supply side challenges posed by geo-political issues. Recovery in agrochemical segments was largely driven by volume, even though realisations were muted owing to continued dumping of agrochemicals by China in key export markets. The company will continue investing in product development and registrations to build a pipeline for sustained growth. In the first nine months of fiscal 2025, the company spent Rs 268 crore on product registrations, funded through internal accrual. With continued recovery in export demand and growing product registrations, revenue is projected to reach nearly Rs 4,000 crore in fiscal 2025, and grow by 8-10% thereon over the medium term

With softening of raw material prices, gross margin has recovered to 30% during the first nine months of fiscal 2025, from 19.8% in the previous fiscal. Operating margin expanded to 12.07% from 2.02% over the same period, mainly driven by improvement in gross margin and higher operating leverage. With demand showing signs of improvement, profitability should also pick up gradually. Demand and weather conditions in key export markets, recovery in product realisations, macro-economic challenges and their impact on the business profile remain monitorable.

SCL has been consistently investing in product registrations. In the first nine months of fiscal 2025, it spent Rs 268 crore on product registrations, funded through internal accruals. The company may continue investing in product registrations to build a pipeline for sustained growth.

The financial risk profile should remain healthy, backed by a healthy tangible networth of Rs 2,294 crore as on September 30, 2024 and a debt-free balance sheet. Healthy cash surplus and accrual should suffice to cover the capital expenditure (capex) and incremental working capital requirement. Liquidity is supported by estimated unencumbered cash surplus of about Rs 615 crore as on December 31, 2024.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of SCL and its subsidiaries as all the entities, collectively referred to as the Sharda group, are engaged in the same business and managed by common promoters.

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:

Strong market position, driven by wide geographic reach, increasing product registrations and growing presence in highly regulated markets: SCL operates in over 80 countries and remains unimpacted by downturn in demand in any particular geography. It has an established global marketing and distribution network with more than 525 third-party distributors and 500+ sales force. It has developed a robust network of suppliers and has ensured low reliance on any particular supplier.

SCL has a large supplier base in China, wherein no single supplier accounts for 3-5% of sales. The company has a large product portfolio, comprising over 2,948 agro-chem registrations as on December 31, 2024, and no single molecule contributing more than 6-7% of revenue. SCL derives its competitive advantage from identifying key molecules going off patent and getting them registered in various markets globally. Continued investment in registrations across various countries globally should help the company expand its customer base over the medium term.

Healthy financial risk profile: Tangible networth was large at Rs 2,294 crore as on September 30, 2024, and is expected to increase over the medium term with steady accretion to reserves. SCL has a debt-free balance sheet leading to strong capital structure. It mainly utilises non-fund-based facilities to fund its raw material imports. Interest coverage has been strong historically (199 times in the first nine months of fiscal 2025) and is likely to remain healthy over the medium term. Cash surplus, along with yearly cash accrual, should be sufficient to meet yearly capex (for new registrations) of Rs 400-450 crore over the next 2-3 fiscals.

Weaknesses:
Working capital-intensive operations: SCL has a larger working capital requirement, vis-à-vis its peers, due to its wide product portfolio and geographical reach. Inventory is sizeable, given the seasonality in the geographies the company operates in. Additionally, there are substantial receivables from certain overseas customers, especially in LatAm. However, LATAM accounted for only 7-9% of revenue for the first nine months of fiscal 2025. Working capital requirement is largely funded via internal accrual, ensuring NIL utilisation of the fund-based limit and relatively low utilisation (~20%) of the non-fund based limits during the nine months ending December 31, 2024. Any significant stretch in the working capital cycle could impact cash flow temporarily and hence, remains a monitorable.

Susceptibility to risks inherent in the agro-chem industry: The agro-chem industry, particularly exports, remains sensitive to changes in government policies and regulatory environment in end-user countries. Every country imposes stringent regulatory requirements on companies launching new products. Changes in regulations could increase the variety of tests and data required, and make it more difficult for exporters to obtain registrations. The agro-chem sector is also sensitive to uneven patterns of monsoon across the globe.

Liquidity: Strong
Liquidity is marked by healthy consolidated unencumbered liquid surplus of Rs 615 crore as on December 31, 2024 (Rs 254 crore as on March 31, 2024) and a debt-free balance sheet. The company is expected to generate net cash accrual of Rs 430-450 crore in fiscal 2025 and Rs 480-500 crore in fiscal 2026. This, along with the liquid surplus, will suffice to fund working capital & capex requirements. The unutilised fund-based limit of Rs 25 crore offered an additional cushion to liquidity.

Rating Sensitivity Factors
Downward Factors
- Significant reduction in revenue coupled with moderation in operating margin also impacting ROCE (below 9-11%)
- Increase in TOL/TNW above 1.2-1.3 times on sustained basis due to stretch in working capital or any major debt funded capex.

About the Group
SCL was formed in 2004, by merging two proprietorships, Sharda International and Bubna Enterprises, founded in 1987 and 1988, respectively. The company deals in generic agrochemical (84% of overall sales), with dyes and intermediates and conveyor belts accounting for the balance. In 2004, SCL set up Sharda International FZE (SI), a Dubai-based wholly owned subsidiary. In 2012, SI was merged with SCL. A new entity, Sharda International DMCC, was formed in fiscal 2013 , which is now redomiciled in the Dubai Airport Freezone, and renamed Sharda International FZCO effective June 2024.

As on December 31, 2024, the Sharda group had 2,948 registrations. Additionally, it has filed 1,047 applications for registrations globally, which are pending at different stages. The group is present across the entire agro-chem value chain with 500 third-party distributors and over 500+ sales personnel, serving clientele in more than 80 countries.

Key Financial Indicators

Particulars	Unit	2024	2023
Revenue	Rs crore	3,163	4,045
Profit after tax (PAT)	Rs crore	32	342
PAT margin	%	1.0	8.5
Adjusted debt/adjusted networth	Times	0.00	0.00
Interest coverage	Times	14.77	39.44

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.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

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	Bank Guarantee	NA	NA	NA	0.50	NA	Crisil A1+
NA	Bill Purchase-Discounting Facility	NA	NA	NA	25.00	NA	Crisil A1+
NA	Foreign Exchange Forward	NA	NA	NA	2.50	NA	Crisil A1+
NA	Letter of Credit	NA	NA	NA	425.00	NA	Crisil A1+
NA	Overdraft Facility	NA	NA	NA	3.00	NA	Crisil A1+

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Axis Crop Science Pvt Ltd	100%	Wholly owned subsidiary
Nihon Agro Service Kabushiki Kaisha	100%	Wholly owned subsidiary
Sharda Agrochem Dooel Skopje	100%	Wholly owned subsidiary
Sharda Balkan Agrochemicals Ltd	100%	Wholly owned subsidiary
Sharda Costa Rica SA (upto 05-Sep-2024)	99%	Wholly owned subsidiary
Sharda Cropchem Espana, S.L.	100%	Wholly owned subsidiary
Sharda Cropchem Israel Ltd	100%	Wholly owned subsidiary
Sharda Cropchem Tunisia SARL	99%	Wholly owned subsidiary
Sharda De Guatemala S.A.	98%	Wholly owned subsidiary
Sharda Del Ecuador CIA. LTDA.	99.5%	Wholly owned subsidiary
Sharda Do Brasil Comercio De Produtos Quimicos E Agroquimicos LTDA	99%	Wholly owned subsidiary
Sharda Dominicana, S.R.L.	99%	Wholly owned subsidiary
Sharda EL Salvador S. A. DE CV	99%	Wholly owned subsidiary
Sharda Hungary Kft	100%	Wholly owned subsidiary
Sharda International FZCO	100%	Wholly owned subsidiary
Sharda Italia SRL	99%	Wholly owned subsidiary
Sharda Morocco SARL	99.8%	Wholly owned subsidiary
Sharda Peru SAC	99.95%	Wholly owned subsidiary
Sharda Poland SP. ZO.O	100%	Wholly owned subsidiary
Sharda Spain, S.L.	100%	Wholly owned subsidiary
Sharda Swiss SARL	100%	Wholly owned subsidiary
Sharda Taiwan Ltd	100%	Wholly owned subsidiary
Sharda Private (Thailand) Ltd	100%	Wholly owned subsidiary
Sharda Ukraine LLC	100%	Wholly owned subsidiary
Sharda USA LLC	100%	Wholly owned subsidiary
Shardacan Ltd	100%	Wholly owned subsidiary
Shardaserb DO.O	100%	Wholly owned subsidiary
Sharzam Ltd	99.99%	Wholly owned subsidiary
Sharda Agrochem Ltd,	100%	Wholly owned subsidiary

Indirect subsidiaries

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Euroazijski Pesticidi D.O.O.	100%	Stepdown subsidiary
Sharda Benelux BVBA	100%	Stepdown subsidiary
Sharda Bolivia SRL	99%	Stepdown subsidiary
Sharda Colombia S.A.	99.48%	Stepdown subsidiary
Sharda De Mexico S De RL DE CV	99.99%	Stepdown subsidiary
Sharda Europe BVBA	100%	Stepdown subsidiary
Sharda International Africa (Pty) Ltd	100%	Stepdown subsidiary
Sharpar S.A.	90%	Stepdown subsidiary
Siddhivinayak International Ltd	100%	Stepdown subsidiary
Sharda Impex Trading LLC, UAE	100%	Stepdown subsidiary

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST	30.5	Crisil A1+		--	13-02-24	Crisil A1+	21-08-23	Crisil A1+	05-07-22	Crisil A1+	Crisil A1+

Non-Fund Based Facilities	ST	425.5	Crisil A1+		--	13-02-24	Crisil A1+	21-08-23	Crisil A1+	05-07-22	Crisil A1+	Crisil A1+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	0.5	Union Bank of India	Crisil A1+
Bill Purchase-Discounting Facility	5	Union Bank of India	Crisil A1+
Bill Purchase-Discounting Facility	15	Union Bank of India	Crisil A1+
Bill Purchase-Discounting Facility	5	Union Bank of India	Crisil A1+
Foreign Exchange Forward	2.5	Union Bank of India	Crisil A1+
Letter of Credit	75	Union Bank of India	Crisil A1+
Letter of Credit	350	Union Bank of India	Crisil A1+
Overdraft Facility	2	Union Bank of India	Crisil A1+
Overdraft Facility	1	Citibank N. A.	Crisil A1+

Criteria Details

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

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