January 27, 2025

GSP Crop Science Limited: Long-term rating upgraded to [ICRA]A (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund-based - Term loan	68.57	48.08	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
Long term fund-based - Working capital term loan	25.17	16.85	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
Long term/short term – Fund-based - Others	212.50	227.50	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Long term/short term – Non-fund based - Other	5.50	5.50	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Short term fund-based/non-fund based - Others	15.00	15.00	[ICRA]A2+; reaffirmed
Short term non-fund based - Others	165.00	150.00	[ICRA]A2+; reaffirmed
Long term/short term unallocated	35.07	63.88	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Total	**526.81**	**526.81**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade of the long-term rating of GSP Crop Science Limited (GSP) factors in ICRA's expectations of a consistent revenue growth along with the sustenance of a healthy credit profile over the medium term, driven by comfortable profitability and debt coverage metrics and an adequate liquidity position. The profitability of the company has been on an improving trajectory largely on account of a change in the product mix and introduction of new products. With the company venturing into backward integration, its profitability is likely to remain healthy, going forward.

The ratings also factor in the long track record of GSP in the agrochemical industry, its diversified customer base across the international and domestic markets and its extensive sales channel, including B2B, B2C and exports. The operating margins were impacted in FY2023 due to a steep decline in prices, resulting in inventory losses. The margins improved in FY2024 and further in H1 FY2025 and the trend is likely to sustain, aided by the introduction of new products and GSP's shift to a relatively low inventory holding period policy.

The capital structure remains comfortable with the gearing at 0.64 times as on March 31, 2024. The debt metrics improved in FY2024 with total debt/OPBDITA at around 1.9 times, interest coverage at 3.66 times and NCA/TD at 33% owing to the better margins. However, the gearing and the debt metrics are likely to moderate slightly in FY2025 with the proposed debt-funded capex, although these will continue to be comfortable. ICRA also notes that the company has planned an initial public offering in the coming quarters which can result in a material improvement of the credit profile, going forward. The second tranche for the complete buyout of the remaining private equity stake was paid in March 2024 and was entirely funded through internal accruals.

The company's revenue expanded at a CAGR of ~5% during FY2020-FY2024 with the operating income increasing to ~Rs. 1,152 crore in FY2024 from Rs. 903 crore in FY2020, driven by new product registrations in various regulated markets. The company has applied for patents for some of its new products, which along with the other product launches, is likely to aid the growth in volumes and profitability.

The ratings are constrained by intense competition in the industry and the susceptibility of the operations to any adverse regulatory developments related to manufacturing/sales of agrochemicals. Moreover, GSP's revenues and profitability remain vulnerable to agroclimatic conditions, volatility in raw material prices and foreign exchange rates, as a part of the raw material requirement is met through imports. The forex risk is partially mitigated through the natural hedge from exports.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that GSP will continue to benefit from the vast experience of its promoters and its established track record over the years, enabling it to generate a steady growth in operating income and comfortable cash flow.

Key rating drivers and their description

Credit strengths

Diverse product portfolio and well-established presence in agrochemical industry - GSP has an established presence in the agrochemical industry for around four decades. The company has grown its business by consistently modernising, enhancing its production capacity and catering to many large agrochemical companies. GSP has a well-diversified portfolio of products across segments, such as insecticides, herbicides, fungicides, and plant growth regulators. It has a diversified revenue profile with branded sales contributing 35-40% and exports accounting for 11% of the revenue. Further, the dependence on individual products is limited to below 10%.

Moderate customer concentration risk - The company caters to a diversified customer base across the international and domestic markets. GSP's products are exported to 39 countries covering US, Uruguay, Brazil, Vietnam, Singapore, UAE, etc. The company has a pan-India presence with majority of the domestic sales in six to seven states. The company has been receiving repeat orders from its existing customers.

Comfortable financial profile – The company's revenue expanded at a CAGR of 5% during FY2020-FY2024 with the operating income increasing to ~Rs. 1,152 crore in FY2024 from Rs. 903 crore in FY2020. The revenues have risen substantially in the last five years owing to new product registrations in various regulated markets along with an increase in the number of new customers and higher orders from existing customers. The topline declined in FY2024 mainly due to a decrease in volumes. However, GSP recorded an OI of ~Rs. 700 crore in H1 FY2025, driven by healthy volumes growth. The margins improved in FY2024, and the trend is likely to sustain, aided by the introduction of new products and GSP's shift to a relatively low inventory holding period policy. The debt metrics improved in FY2024 with the debt/OPBDITA at around 1.90 times, interest coverage at 3.66 times and NCA/TD at 33% in FY2024 owing to the improved margins.

Credit challenges

Working capital-intensive operations – GSP's working capital intensity remains high (NWC/OI of 28% in FY2024 and 35% in FY2023) because of the high receivable days. GSP has worked cautiously on its inventory holding policy and has shifted to a low inventory holding period. As on September 30, 2024, the company had an inventory of less than Rs. 280 crore and this is not expected to increase materially from here, although the March number would be slightly higher as the inventory builds up in this month for the selling window from April to June for the kharif season. The company has a provision of Rs. 12-13 crore for bad debt. It had also availed credit insurance for brand business, which secures it from any bad debt instances.

Regulated industry and exposure to agro-climatic risk - The agrochemical industry is highly regulated in both the international and domestic markets. Further, any new product takes 3-5 years to get registered. Poor monsoons translate into slower agrochemical offtake and, therefore, affect the performance of the agrochemical entities. However, the risk for GSP is mitigated, to some extent, by its diversified geographical presence across various countries and states in the domestic market.

Exposure to raw material procurement, price risk and foreign exchange volatility - Around 90% of GSP's imports are from China. GSP faced some supply issues due to China's zero Covid policy, border tensions etc and, therefore, the company is working on reducing its dependence on China. The company has tied up with some domestic suppliers who will supply the raw materials to it as a priority. Further, it has tied up with a few vendors to manufacture the raw materials for GSP, in which the latter will have priority in getting these supplies. Imports remain a sizeable portion of the total raw material requirement. The company has a natural hedge to some extent against the exports. For the balance, the company hedges selectively, taking plain forwards to cover 20-25% of the exposure falling due in the next 30-45 days.

Liquidity position: Adequate

GSP's liquidity remains adequate with healthy operational cash flows of Rs. 60-70 crore and cash and bank balance of Rs. 40.71 crore as of March 2024. The utilisation of the fund-based limits remained around 68% on an average with a maximum utilisation of 77%. As on October 31, 2024, it had cushion from undrawn limits of Rs. 67 crore against the sanctioned limits.

Rating sensitivities

Positive factors – ICRA could upgrade GSP's ratings if there is a consistent growth in earnings, along with the strengthening of the leverage and coverage metrics amid an improvement in the working capital cycle.

Negative factors – Pressure on GSP's ratings could arise if the revenues and operating margins decline, resulting in lower cash flows on a sustained basis. A deterioration in the working capital cycle impacting the company's liquidity position will also affect the ratings. Moreover, the total debt/OPBDITA above 2x on sustained basis can lead to a rating revision.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Agrochemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of GSP along with its subsidiaries, Rajdhani Petrochemicals Private Limited, GSP Intermediates Pvt Ltd and GSP Agroquimica Do Brasil Ltda

About the company

GSP Crop Science was promoted by Mr. Vrajmohan R. Shah in 1985 as a manufacturer of single super phosphate fertilisers. At present, it has expanded its product portfolio to include insecticides, herbicides, fungicides and plant growth regulators. A team of around 1096 experienced employees work at all sites of the company. GSP's products reach its customers through 24 C and F depots and more than 5,000 dealers/distributors across India. The products are exported to more than 39 countries, covering US, Uruguay, Brazil, Vietnam, Singapore, UAE, etc.

Key financial indicators (audited)

GSP Consolidated	FY2023	FY2024	H1FY2025
Operating income	1,203.3	1,152.2	703.5
PAT	21.6	61.3	65.9
OPBDIT/OI	6.7%	10.8%	15.3%
PAT/OI	1.8%	5.3%	9.4%
Total outside liabilities/Tangible net worth (times)	2.1	1.6	2.0
Total debt/OPBDIT (times)	4.0	1.9	1.3
Interest coverage (times)	2.2	3.7	7.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Jan 27, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based term loan	Long term	48.08	**[ICRA]A (Stable)**	10-Nov-23	**[ICRA]A- (Stable)**	01-Sep-22	**[ICRA]A- (Stable)**	-	-
Fund-based working capital term loan	Long term	16.85	**[ICRA]A (Stable)**	10-Nov-23	**[ICRA]A- (Stable)**	01-Sep-22	**[ICRA]A- (Stable)**	-	-
Fund-Based - Others	Long term/Short term	227.50	**[ICRA]A (Stable)/ [ICRA]A2+**	10-Nov-23	**[ICRA]A- (Stable)/ [ICRA]A2+**	01-Sep-22	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	-
Non-fund based - Others	Long term/Short term	5.50	**[ICRA]A (Stable)/ [ICRA]A2+**	10-Nov-23	**[ICRA]A- (Stable)/ [ICRA]A2+**	01-Sep-22	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	-
Fund based/non-fund based – Others	Short term	15.00	**[ICRA]A2+**	10-Nov-23	**[ICRA]A2+**	01-Sep-22	**[ICRA]A2+**	-	
Non-fund based - Others	Short term	150.00	**[ICRA]A2+**	10-Nov-23	**[ICRA]A2+**	01-Sep-22	**[ICRA]A2+**	-	
Unallocated	Long term/Short term	63.88	**[ICRA]A (Stable)/ [ICRA]A2+**	10-Nov-23	**[ICRA]A- (Stable)/ [ICRA]A2+**	01-Sep-22	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based - Term loan	Simple
Fund-based - Working capital term loan	Simple
Fund-based – Others	Simple

Non-fund based – Others	Simple
Short term – Fund-based/non-fund based – Others	Simple
Short term – Non-fund based – Others	Very Simple
Long term/short term unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	April 2019 - March 2022	9.65%-10.30%	April 2024 - March 2028	48.08	[ICRA]A(Stable)
NA	Working capital term loan	April 2024	8.05% - 10.20%	March 2025	16.85	[ICRA]A(Stable)
NA	Fund based	NA	NA	NA	227.50	[ICRA]A(Stable)/ [ICRA]A2+
NA	Non-fund based	NA	NA	NA	5.50	[ICRA]A(Stable)/ [ICRA]A2+
NA	Fund-based/non-Fund based	NA	NA	NA	15.00	[ICRA]A2+
NA	Non-fund based	NA	NA	NA	150.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	63.88	[ICRA]A(Stable)/ [ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	GSP ownership	Consolidation approach
GSP Crop Science Pvt Ltd	100.00% (rated entity)	Full Consolidation
Rajdhani Petrochemicals	100.0%	Full Consolidation
GSP Intermediates Pvt Ltd	79.0%	Full Consolidation
GSP Agroquimica Do Brasil Ltda	100.0%	Full Consolidation

Source: Company
Note: ICRA has consolidated the financials of the parent (GSP), its subsidiaries and associates while assigning the ratings.

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