March 28, 2025

Willowood Chemicals Limited (erstwhile known as Shreeji Agchem Pvt. Ltd.): Ratings reaffirmed; outlook revised to Negative & rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term - Fund-based/Non-fund based/Others	605.00	705.00	[ICRA]A (Negative)/ [ICRA]A2+; reaffirmed and outlook revised to Negative from Stable and assigned for enhanced amount
Total	**605.00**	**705.00**	

**Instrument details are provided in Annexure I*

Rationale

The outlook for Willowood Chemicals Limited's (WCL) rating has been revised to Negative as ICRA expects WCL's liquidity profile to remain subdued on a standalone and consolidated basis because of the constant support required by its subsidiary, Willowood Industries Private Limited (WIPL, rated [ICRA]BBB+ (Negative)/[ICRA]A2).

WIPL posted operating loss in YTD FY2025 owing to the subdued demand for its products and weak contribution margins. Though WIPL's performance may show marginal recovery in FY2026, WCL will need to support WIPL to help service its debt and meet the margin funding requirement for its incremental working capital borrowings. The cushion in WCL's working capital borrowings has moderated significantly. Going forward, the recovery in WIPL's performance may lower the need for support from WCL, and will remain a key monitorable. On a standalone basis, WCL's operating profitability improved in YTD FY2025 and is in line with the industry trends. Its operating profits will continue to improve in FY2026 as well.

The ratings continue to factor in the extensive experience of the promoters of about three decades in the agrochemical industry across the globe and the established operational track record of the company of over a decade. The company is present across the entire agrochemical value chain and has consolidated its operations effective from April 1, 2020, under a single entity. WCL has a healthy pool of products, both patented and non-patented, under its fold which has resulted in healthy sales for the company. It has a network of over 12,000 distributors in the domestic market, supported by established brands in the retail segment, and a reputed clientele in the trading and toll manufacturing segments. The ratings also take comfort from the low product and geographical concentration of WCL's sales.

The ratings are, however, constrained by the vulnerability of WCL's operations to agro-climatic risks, along with the high seasonal concentration with sales during the kharif season contributing to over 70% of its total revenue. The supplier concentration risk is also high with 65-70% of the active ingredients (AIs) procured from China. The supplier concentration risk, however, may moderate marginally with the commissioning of the AI manufacturing plant.

The ratings factor in the company's working capital-intensive operations and the exposure to foreign currency fluctuation risk, given the high dependence on imports. Further, the agrochemical industry is highly regulated due to the hazardous nature of pesticides and any decision to ban certain products by the Government can have a significant impact on its operations.

The Negative outlook reflects ICRA's expectation of a moderation in WCL's liquidity profile owing to consistent losses in its subsidiary, WIPL. A major portion of the cash generated at WIPL is being diverted to fund WIPL's cash losses and meet its debt servicing requirement and margin funding for incremental working capital borrowings.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in agrochemical industry - The company was promoted by Mr. Vijay Mundhra and Mr. Parikshit Mundhra in 2006. Mr.Vijay Mundhra is the founder of the Hong-Kong based Willowood Group and has about three decades' experience in the agrochemical industry. The Willowood Group has a customer base in over 50 countries across Africa, Asia, Europe, Brazil, South America and North America and is involved in the production and distribution of pesticides and other crop protection chemicals around the globe.

Diversified revenue stream with presence across agrochemical value chain - WCL is present across the agrochemical value chain, including B2B trading of AIs, toll manufacturing of final formulations, retail marketing and distribution of final formulations, along with the research and development (R&D) of the new AIs and formulation combination. The company's product portfolio includes several AIs and formulations in insecticides, herbicides, fungicides, as well as plant growth regulator products.

Wide distribution network and established brand presence in retail market - Over the years, the company has established a wide distribution network with over 12,000 dealers/distributors across ~18 states in India. The network is further supported by a team of in-house marketing executives and field assistants. WCL markets its products under its own brand name and has over 80 brands in the retail segment.

Healthy product profile - WCL's product profile includes a mix of formulations and technicals. It has also received patents for several of its combination products which enables the company to drive healthy demand for its products. Additionally, the company's product profile includes largely blue and yellow triangle products along with a healthy mix of various pesticide categories. The company has also reduced its dependence on a few products which have become generic and is focusing on developing a more margin-accretive product profile.

Reputed and diversified customer base with track record of repeat business - The company has diversified into the B2C and B2B segments. For its B2B segment, the company has more than 100 customers, including Dhanuka Agritech, Sumitomo Chemical India, Chambal Fertilisers and Chemicals, PI Industries, etc. WCL has established long-term relationships with most of its customers and every year receives a large number of repeat orders from its existing customers.

Credit challenges

High dependence of AI procurement from China; any significant disruption can impact operations – About 65-70% of Willowood India's total AI requirement is met through imports from Chinese suppliers, exposing the company to concentration risk. Any significant disruption in supply from China can have an adverse impact on the company's operations and profit margins. The dependence on China is expected to moderate marginally with the commissioning of the AI plant under WIPL, though it will continue to be high.

High working capital intensity - The company's working capital intensity (net working capital/operating income, NWC/OI) increased and remained high at 50% in FY2024 over 43% in FY2023. Given the seasonality of the sales, the company is required to maintain high finished goods inventory at the beginning of the kharif and rabi seasons. The company has to maintain a high level of raw material inventory as a significant portion of the AI is met through imports. Moreover, the company gives a high credit period of 115-125 days to the retail consumers, as is the trend in the industry.

Regulated nature of industry - The agrochemical industry is highly regulated in the domestic market with stringent norms for registering the products to be produced and sold in India. The products remain susceptible to bans or restrictions owing to their poisonous nature and thus the industry has to ensure the products are compliant with the regulatory norms.

Subdued ramp-up of new AI facility – WCL, under its wholly-owned subsidiary WIPL, had commissioned a technical manufacturing facility at Dahej in a phased manner by December 2023. The entity's production and sales ramp-up have been weak owing to the adverse market conditions that affected the demand for its products. WIPL reported operating losses in FY2024 and 9M FY2025 due to the lack of competitiveness of its product portfolio, particularly in the export markets, where prices have declined significantly. The sharp drop in realisations also compressed the margins, making it challenging for the company to cover its fixed overheads, resulting in continued operating losses.

Exposure to agro-climatic risks - As the share of the irrigated (by dams/canals/wells) area is low in India, most regions depend on the monsoons. Poor monsoons translate into slower agrochemical offtake and, therefore, affect the performance of agrochemical entities. However, the risk for the company is mitigated, to some extent, by the Group's diversified geographical presence across 18 states.

Liquidity position: Adequate

At a consolidated level, WCL's liquidity position remains adequate with healthy annual fund flow from operations. The company's unencumbered cash balance and investments stood at Rs. 34.7 crore as on March 31, 2024. WCL also had a sanctioned interchangeable working capital facility of Rs. 776.0 crore as on November 30, 2024. The average utilisation of the fund-based limits remained at around 91% in the last 12 months. The liquidity will be affected to some extent by moderate scheduled repayments over the medium term. WCL consolidated had an outstanding term loan of Rs. 236.4 crore as on March 31, 2024, towards which there are repayment obligations of Rs. 50.4 crore in FY2025 and Rs. 53.6 crore in FY2026. The company has moderate capex plans over the next few years, for which Rs. 70-80 crore will be incurred in FY2026 and FY2027, to be funded through a mix of debt and internal accruals.

Rating sensitivities

Positive factors - The outlook maybe revised to stable in a scenario of the improvement in the liquidity profile driven by improvement in the performance of WIPL and/or improvement in the working capital cycle for WCL. The rating may be upgrade in a scenario of sustained improvement in the revenue and operating profit on a consolidated basis while improving its liquidity position and maintain healthy leverage and coverage metrics.

Negative factors - Pressure on the ratings can arise if there is any significant deterioration in the scale of operations and profit margins, or any stretch in the working capital position of the company, weakening the liquidity position. Further, any deterioration in the debt metrics owing to any large debt-funded capex/investments will weigh on the ratings. A specific credit metric for downgrade would be total interest coverage ratio of less than 5.0x on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Agrochemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Willowood Chemicals Limited and its subsidiaries enlisted in Annexure II

About the company

Willowood India Group is among the leading manufacturers and distributors of pesticides and other crop protection chemicals. Since its inception in 2006, the Group has grown rapidly and expanded its presence across all segments of the agrochemical value chain. Willowood operates in India through Willowood Chemicals Limited (WCL). The two entities - namely Willowood Chemicals Private Limited and Willowood Crop Sciences Private Limited - have been amalgamated with effect from April 1, 2020, vide an order dated December 29, 2021, with Shreeji Agchem Private Limited, which has been subsequently renamed as Willowood Chemicals Limited.

Key financial indicators (audited)

WCL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	1,813.1	1,797.7	1,732.7
PAT	48.7	6.5	34.5
OPBDIT/OI	9.9%	10.9%	13.5%
PAT/OI	2.7%	0.4%	2.0%
Total outside liabilities/Tangible net worth (times)	0.89	0.99	-
Total debt/OPBDIT (times)	4.09	4.33	-
Interest coverage (times)	4.53	3.14	3.09

*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)	Mar 28, 2025	Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Others – Fund-based/Non-fund based	Long term/ Short term	705.00	[ICRA]A (Negative)/ [ICRA]A2+	13-FEB-2024	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-
Fund based/Non-fund based - Others	Long term	-	-	Apr 04, 2023	[ICRA]A (Positive)	-	-	Feb 23, 2022	[ICRA]A (Stable)
		-	-	Feb 05, 2024	[ICRA]A (Stable)	-	-	-	-
Unallocated limits	Long term/ Short term	-	-	Apr 04, 2023	[ICRA]A (Positive)/ [ICRA]A2+	-	-	Feb 23, 2022	[ICRA]A (Stable)/ [ICRA]A2+
		-	-	Feb 05, 2024	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term – Fund-based/Non-fund based/Others	Simple

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	**Long term/Short term - Fund-based/Non-fund based/Others**	NA	NA	NA	705.00	[ICRA]A(Negative)/ [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	Ownership	Consolidation approach
Willowood Chemicals Limited	100%	Full Consolidation
Willowood (Hangzhou) Co.Ltd	Subsidiary	Full Consolidation
Willowood Industries Private Limited	Subsidiary	Full Consolidation
Willowood Agriscience Representacao Comercial Ltda	Subsidiary	Full Consolidation
JDM Scientific Research Organisation Pvt. Ltd.	Subsidiary	Full Consolidation
Margosa Biogrow (India) Pvt Ltd	Subsidiary	Full Consolidation

Source: Company

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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