March 28, 2025

Willowood Industries Private Limited: 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 fund-based - Term loans	145.00	191.50	[ICRA]BBB+ (Negative); reaffirmed and outlook revised to Negative from Stable and assigned for enhanced amount
Long term/Short term: Fund-based/Non-fund based limits	88.00	207.50	[ICRA]BBB+(Negative)/ [ICRA]A2; reaffirmed and outlook revised to Negative from Stable and assigned for enhanced amount
Long term/Short term - Unallocated	17.00	2.00	[ICRA]BBB+(Negative)/ [ICRA]A2; reaffirmed and outlook revised to Negative from Stable
Total	**250.00**	**401.00**	

**Instrument details are provided in Annexure I*

Rationale

The outlook on the rating assigned to the bank lines of Willowood Industries Private Limited (WIPL) has been revised to Negative on expectations of its operating performance remaining subdued in FY2025 followed by a moderate improvement in FY2026, which will require enhanced support from the parent, Willowood Chemicals Limited (WCL, rated [ICRA]A (Negative)/[ICRA]A2+). The credit profile is also expected to remain subdued on a standalone basis. As a result of the operating losses at WIPL's level, the overall consolidated liquidity position of WCL moderated in FY2024 and YTD FY2025.

The ratings continue to factor in the strong parentage of WCL and WIPL's strategic importance to WCL as the company is an extended arm of its parent company. WIPL also benefits from its established customer relationships and WCL's track record in the agrochemical industry spanning nearly three decades.

The Willowood Group is present across the entire agrochemical value chain and has a healthy pool of patented and non-patented products. 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. ICRA notes that the company has Technical Indigenous Manufacturing (TIM) registration for four molecules.

The ratings are, however, constrained by subdued ramp-up in the company's sales due to unfavourable market conditions and the vulnerability of the company's operations to agro-climatic risks, working capital-intensive operations and foreign exchange risks owing to the significant dependence on imports, particularly from China, for raw material. The company also remains exposed to regulatory risk as it manufactures agrochemicals which are hazardous in nature and are heavily regulated by Government authorities.

ICRA notes that the entity's production and sales ramp-up have been weak owing to the adverse market demand for the products manufactured by it. 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 compressed the margins, making it challenging for the company to cover its fixed overheads, resulting in continued operating losses. Going forward, the facility is expected to witness a gradual improvement in performance as agrochemical prices have stabilised and the demand is witnessing an uptick.

The Negative outlook reflects expectation of WIPL's operating performance remaining subdued in FY2026, which will require enhanced support from the parent, WCL. The credit profile is also expected to remain muted on a standalone basis.

Key rating drivers and their description

Credit strengths

Part of Willowood Group with promoters having extensive experience in agrochemical industry - WIPL is a part of the Willowood Group which has a long and established track record in the agrochemical industry. The Group 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.

Wide distribution network and diversified customer base - The Group is present across the agrochemical value chain. Further, WIPL's product portfolio includes several active ingredients (AIs) in insecticides, herbicides, fungicides, as well as plant growth regulator products. Over the years, the Willowood Group 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. The Group has also diversified into the B2C and B2B segments. Further, the Group has established long-term relationships with most of its customers and every year receives a large number of repeat orders from its existing customers.

Low offtake risks as major portion of product will be captively consumed - The project will also serve as a backward integration for WCL's units, which reduces the offtake risk. WCL meets majority of its requirement for AIs through imports from China. Hence, the Group should benefit from the backward integration into manufacturing AIs or technicals as a major portion of WIPL's production is expected to be consumed within the Group.

Credit challenges

High dependence for procurement from China; any significant disruption can impact operations – The company procures a significant proportion of its raw materials from its affiliate companies based in Hong Kong and China. However, the sourcing of raw materials for AIs is simpler because of the strong global presence of the Willowood Group. Additionally, the company imports directly from multinational companies as well as procures products from the domestic market from reputed customers. While China continues to maintain a major share in global agrochemical trade, there have been disruption in supplies in the past. Any significant disruption in supply from China can have an adverse impact on the Group's operations and profit margins.

Regulated nature of agrochemical industry - The agrochemical industry is highly regulated in the domestic market with stringent norms for registering 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 the project - WIPL had set up a manufacturing facility at Dahej, Gujarat, for manufacturing AIs. The project was divided into two phases and five plants. The first phase (plants-I, III and IV) was commissioned in December 2022, though commercial production was delayed by six months, while the second phase (plants –II and V) was commissioned in December 2023. 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 compressed the margin, 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 irrigated (by dams/canals/wells) area is low in India, most regions in India 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: Stretched

The liquidity position of the company remains stretched, given the operating losses posted by the company and the increased working capital requirements. Nevertheless, the support from the parent, WCL, in the form of unsecured loans to fund the operating losses, debt servicing requirements and margin funding for incremental working borrowings coupled with the availability of working capital limits provide liquidity comfort. ICRA expects WCL to continue to provide support as has been the track record to support WIPL's liquidity position.

Rating sensitivities

Positive factors - The outlook maybe revised to stable and/or the ratings may be upgrade in a scenario of a sustained improvement in the cash generation of WIPL resulting in an improvement in the liquidity profile along with the improvement in the leverage and coverage metrics. The rating may also be upgraded in a scenario of the improvement in the credit profile of the parent i.e. WCL.

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. The ratings may also be downgraded in a scenario of the weakening of the credit profile of the parent WCL and/or weakening of the linkages with the parent.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Agrochemicals
Parent/Group support	Group company: Willowood Chemicals Limited The ratings consider the likelihood of the parent, WCL, extending support to WIPL, should the need arise. The analyst has followed a parent support uplift approach while rating WIPL's bank lines with WCL as the parent. WIPL is a wholly-owned subsidiary of WCL
Consolidation/Standalone	Standalone

About the company

Willowood Industries Private Limited (WIPL), incorporated in FY2020, is a part of the Willowood Group which started its operations from Hong Kong in 1991 and gradually expanded to other countries, including India, China, USA and Africa.

WIPL has set up a new production facility for active ingredients (AI)s at Dahej (Gujarat). The project is divided into two phases and five plants. The first phase (plants I, III and IV) was commissioned in December 2022, though commercial production was delayed by six months. The second phase (plants II and V) was commissioned in December 2023. The total installed capacity of the plant is 15.5 TPD. WIPL plans to manufacture 25 products now and expand the portfolio to 35-40 products.

Key financial indicators (audited)

WIPL	FY2023	FY2024	9M FY2025*
Operating income	3.9	112.2	154.4
PAT	-6.7	-102.3	-101.6
OPBDIT/OI	-127.3%	-34.7%	-18.4%
PAT/OI	-172.7%	-91.2%	-65.8%
Total outside liabilities/Tangible net worth (times)	1.4	2.8	-
Total debt/OPBDIT (times)	-58.0	-12.9	-
Interest coverage (times)	-8.5	-2.7	-1.5

*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*

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 – Unallocated - Unallocated	Long term/Short term	2.00	[ICRA]BBB+ (Negative)/ [ICRA]A2	26-JUN-2023	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
				05-FEB-2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
Long term - Term loan – Fund-based	Long term	191.50	[ICRA]BBB+ (Negative)	26-JUN-2023	[ICRA]BBB+ (Stable)	-	-	-	-
				05-FEB-2024	[ICRA]BBB+ (Stable)	-	-	-	-
Long term/Short term – Others – Fund-based/Non fund based	Long term/Short term	207.50	[ICRA]BBB+ (Negative)/ [ICRA]A2	26-JUN-2023	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-

				05-FEB-2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long term/Short term: Fund based/Non-fund based limits	Simple
Long term/Short term: Unallocated limits	NA

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**	FY2022	NA	FY2029	191.50	[ICRA]BBB+ (Negative)
NA	**Fund-based/ Non-fund based limits**	NA	NA	NA	207.50	[ICRA]BBB+ (Negative)/ [ICRA]A2
NA	**Unallocated limits**	NA	NA	NA	2.00	[ICRA]BBB+ (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 – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Varun Gogia
+91 987 115 6542
varun.gogia1@icraindia.com

Pawankumar Jagdale
+91 704 559 5212
pawankumar.jagdale@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

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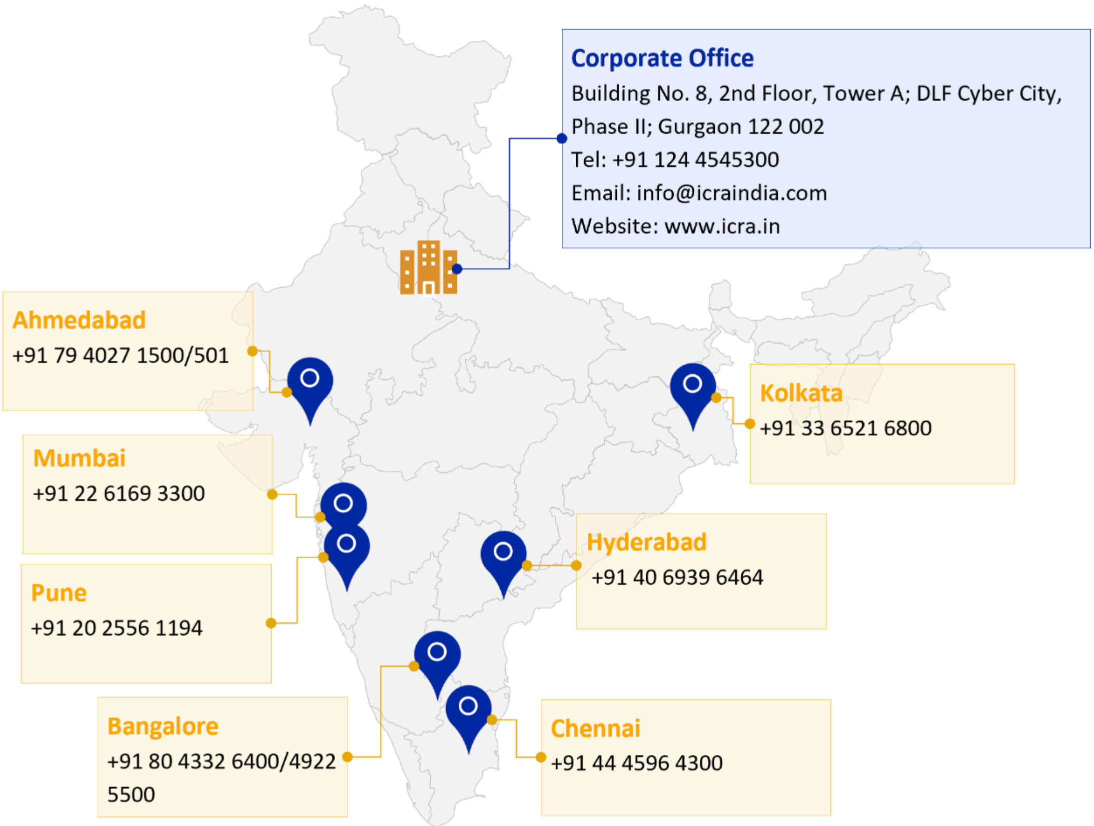

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