

Nagarjuna Fertilizers and Chemicals limited

May 06, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	1276.14	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long-term /Short-term Bank Facilities	1179.67	CARE D / CARE D; ISSUER NOT COOPERATING* (Single D / Single D; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	2455.81 (Rs. Two Thousand Four Hundred Fifty-Five crore and Eighty-One lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 16, 2020, placed the rating of Nagarjuna Fertilizers and Chemicals Limited (NFCL) under the 'Issuer Non-Cooperating' category as NFCL had failed to provide information for monitoring of the rating. NFCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated January 30, 2021, February 09, 2021 and April 30, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating factors in delays in servicing of debt obligations on account of stretched liquidity position of the company.

Detailed description of the key rating drivers

At the time of the last rating on March 16, 2020; the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key Rating Weaknesses

Stretched liquidity position: The company continued to report subdued operational and financial performance during FY19 led by slower receipt of fertilizer subsidy, absence of adequate working capital to run the plants and high debt servicing obligation. Consequently, the company reported net loss for the year FY19 with resultant stretch on cash flow position and delays in debt servicing. The total operating income more than halved to Rs.1950.59 crore in FY19 as compared to Rs.3933.49 crore in FY18. Similarly, NFCL continued to report decline in revenue by about 12% to Rs.1714.17 crore in FY20 due to operation of only one Urea plant and reported net loss and cash loss during the year. There has been revenue degrowth (by 9%) and losses reported during 9MFY21 also on a y-o-y basis.

Regulated nature of industry: The Indian Fertilizer industry is highly energy and capital intensive, besides being a highly regulated industry. Urea, the most consumed fertilizer in the country, remains under the Government control with the selling price fixed by the Government and the excess of the cost of production over the selling price, allowing for a suitable return, given as subsidy to the units.

Key rating Strengths:

Long-track record of the company: NFCL belongs to the Nagarjuna group of Hyderabad, promoted by the late Mr. K.V.K. Raju. The group is an established south India based industrial house with major focus on agricultural fertilizers & chemicals business since the last three decades.

Raw material and fuel sourcing arrangement: Natural gas is key feedstock & fuel and NFCL has long-term contract for procuring the same from GAIL (India) Limited and Reliance Industries Limited which are received through pipelines at NFCL's receiving station at its plant.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial Ratios – Non-Financial Sector](#)

About the Company

Nagarjuna Fertilisers & Chemicals Ltd. (NFCL), promoted by late Shri. K.V.K. Raju, is the flagship company of the Hyderabad based Nagarjuna group. Along with Mr. Raju, Andhra Pradesh State Government and FILs are the major shareholders of NFCL. NFCL, currently, operates only one Urea plant out of two Urea plants (capacity – 2,300 MT per day each) at its facilities located at Kakinada, Andhra Pradesh. While Plant-I operates entirely on natural gas as the feedstock, Plant –II can use both natural gas (NG) and naphtha. Besides manufacturing, NFCL is also involved in trading of Urea (Government Pool Urea), Specialty Fertilizers and Agriinputs [viz. Muriate of Potash (MOP), Di-ammonium Phosphate (DAP), NPK etc.) A small proportion of NFCL's revenue also comes from micro irrigation business and manufacturing of PVC Pipes.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1950.59	1714.17
PBILDT	(104.89)	(100.75)
PAT	(490.73)	(472.35)
Overall gearing (times)	3.14	17.68
Interest coverage (times)	(0.34)	(0.31)

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instrument/facilities is given in Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	July 2023	473.14	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	803.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT/ST-BG/LC	-	-	-	-	1179.67	CARE D/ CARE D; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT	473.14	CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D; ISSUER NOT COOPERATING* (16-Mar-20) 2)CARE D (04-Apr-19)	-
2.	Fund-based - LT-Cash Credit	LT	803.00	CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D; ISSUER NOT COOPERATING* (16-Mar-20) 2)CARE D (04-Apr-19)	-
3.	Fund-based - LT/ST-BG/LC	LT/ST	1179.67	CARE D/ CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (16-Mar-20) 2)CARE D (04-Apr-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities- NA**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT/ST-BG/LC	Simple
3.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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