

Nagarjuna Fertilizers and Chemicals Limited

July 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,276.14	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	1,179.67	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	2,455.81 (₹ Two Thousand Four Hundred Fifty-Five Crore and Eighty-One Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated March 16, 2020, placed the ratings 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 as agreed to in its Rating Agreement. NFCL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated March 22, 2022, April 01, 2022 and April 11, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'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 ratings.

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 last rating on May 06, 2021, the following were the rating strengths and weaknesses (updated for the information available from BSE limited):

Key Rating Weaknesses

Stretched liquidity position: The company has been witnessing subdued operational and financial performance led by slower receipt of fertilizer subsidy, absence of adequate working capital to run the plants and high debt servicing obligation. Consequently, there is net loss and cash loss for the past 4 years (FY19-FY22) resulting in stretched liquidity position and delays in debt servicing.

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.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[CARE Ratings Ltd.'s Policy on Default Recognition](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[Rating Methodology - Manufacturing Companies](#)
[Criteria for Short Term Instruments](#)
[Financial Ratios – Non-Financial Sector](#)

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

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 FIIs are the major shareholders of NFCL. NFCL has two Urea plants (capacity – 2,300 MT per day each) 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), Diammonium Phosphate (DAP), NPK etc.) A small proportion of NFCL’s revenue also comes from micro irrigation business and manufacturing of PVC Pipes.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (A)
Total operating income	1599.25	2722.65	Not Available
PBILDT	(82.24)	(159.19)	
PAT	(615.33)	(669.91)	
Overall gearing (times)	NM	NA	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not meaningful; NA: Not available

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 instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ 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 (₹ crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Term Loan-Long Term	LT	473.14	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (06-May-21)	-	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* (06-May-21)	-	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* (06-May-21)	-	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, [@]Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

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

Annexure-5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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