

Nagarjuna Fertilizers and Chemicals Limited

July 12, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,276.14	CARE 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*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and 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 May 31, 2023, June 10, 2023 and June 20, 2023. 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 rating(s).

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

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of the key rating drivers:

At the time of last rating on July 15, 2022, the following were the rating strengths and weaknesses (updated for the information available from Stock exchange):

Key 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 has been net loss and cash loss for the past 5 years (FY19-FY23) 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 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.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

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

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

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Fertilizers & Agrochemicals	Fertilizers

NFCL is the flagship company of the Hyderabad based Nagarjuna group, promoted by late Shri. K.V.K. Raju. 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)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	2727.24	5705.64
PBILDT	(159.19)	(531.93)
PAT	(669.91)	(902.64)
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited NM: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: India Ratings and Research has classified the ratings of NFCL under "Issuer not Cooperating" vide their press release dated September 08, 2022 due to non-receipt of information required to monitor the ratings.

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

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

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Term Loan-Long Term	LT	473.14	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (15-Jul-22)	1)CARE D; ISSUER NOT COOPERATING* (06-May-21)	-
2	Fund-based - LT-Cash Credit	LT	803.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (15-Jul-22)	1)CARE D; ISSUER NOT COOPERATING* (06-May-21)	-
3	Non-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* (15-Jul-22)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (06-May-21)	-

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

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

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ramesh Bob Asineparthi Director CARE Ratings Limited Phone: +91-90520 00521 E-mail: ramesh.bob@careedge.in</p>	<p>Analytical Contacts</p> <p>Maulesh Desai Director CARE Ratings Limited Phone: +91-79-40265605 E-mail: maulesh.desai@careedge.in</p> <p>Puja Jalan Associate Director CARE Ratings Limited Phone: +91-40-4002 0131 E-mail: puja.jalan@careedge.in</p> <p>Yashmin Revawala Lead Analyst CARE Ratings Limited E-mail: yashmin.revawala@careedge.in</p>
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About us:

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