

NOVEMBER 04, 2015

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF NAGARJUNA AGRICHEM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	157.75 [Reduced from Rs.166.89 crore]	CARE BBB+ (Triple B Plus)	Revised from CARE BBB [Triple B]
Short term Bank Facilities	90	CARE A3+ (A Three Plus)	Revised from CARE A3 [A Three]
Total Facilities	247.75 (Rupees Two Hundred Forty Seven crore and seventy five lakh only)		

Rating Rationale

The revision in the ratings of Nagarjuna Agrichem Limited takes into account improved financial performance during FY15 (refers to the period April 01 to March 31) marked by increase in the total operating income and profitability margins, part realization of the insurance claim which led to easement of working capital and increase in the contribution of exports with Srikakulam plant being operational. The ratings also factor in established track record of the company in the pesticide business, experienced management and diversified product range with presence across the domestic and international markets.

The ratings, however, are constrained by moderate overall gearing, dependence upon monsoon and climatic conditions, exposure to foreign exchange fluctuation risk and working capital intensive nature of the operation.

The ability of the company to scale up its operations, introduce new products in both technical and formulations segments and improve its profitability margins are the key rating sensitivities.

Background

NACL, incorporated in November 1986, is promoted by Hyderabad-based Nagarjuna group. NACL is operating in the agrochemical industry and is engaged in the manufacturing of pesticides (viz Herbicides, Insecticides, Fungicides); both technical and formulations. NACL has its production units located at three locations within Andhra Pradesh. The company has presence both in domestic as well as export markets with major export destinations being Japan, USA, Australia, Switzerland, Belgium, etc.

During FY15, the company has launched two new products in the domestic market, a new rice herbicide and a Nematicide. The Ethakota formulation unit was honored with “Best Management Award” by state government of Andhra Pradesh on May 1, 2015. Furthermore, during FY15, NACL and Helm AG (HELM), a German-based company has entered into an agreement which is in the nature of strategic and long-term business alliance covering NACL’s R&D, manufacturing facilities and introduction of HELM products into the Indian market through the NACL’s marketing network.

During FY15, NACL reported a PBILDT of Rs.67.10 crore (FY14: Rs.25.99 crore) and a PAT of Rs.7.68 crore against net loss, on a total operating income of Rs.761.86crore (FY14: Rs.652.26 crore).

As per the unaudited financials for Q1FY16, NACL has reported an operating income of Rs.159.79 crore (Q1FY15: Rs.169.81 crore) and PAT of Rs.0.25 crore (Q1FY15: Rs.0.23 crore).

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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