

OCTOBER 10, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF NAGARJUNA AGRICHEM LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	140.78 (reduced from 157.75)	CARE BBB+ (Triple B Plus)	Reaffirmed
Short term Bank Facilities	90.00	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	230.78 (Two hundred and thirty crore and seventy eight lakhs only)		

Rating Rationale

The ratings of Nagarjuna Agrichem Limited continue to derive strength from established track record of the company in the pesticide business, experienced management, diversified product range with presence across the domestic and international markets and satisfactory operational performance & profit margin and improved profitability margins on account of improvement in the operational efficiency. The ratings also factor in improvement in profit margin despite decline in the operating income during FY16 (April 01 to March 31) on account of unfavorable climatic conditions.

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

Nagarjuna Agrichem Ltd (NACL) was incorporated in September 1996 (Erstwhile Chemagro International Limited). The company has its presence in the agrochemical industry and is engaged in manufacturing of pesticides (viz. Herbicides, Insecticides, Fungicides); both technical and formulations. The company has presence both in domestic as well as exports market with major export destinations being Japan, USA, Australia, Switzerland, Belgium etc. The company is planning to register its brand products in African countries to penetrate into those markets. NACL accessed primary capital market during 1993-94. The company is promoted by Hyderabad-based Nagarjuna Group, which has interests in Fertilizers, Power Generation, Oil refinery and Construction.

During FY16, NACL reported a PBILDT of Rs.69.18 crore (FY15: Rs.67.10 crore) and a PAT of Rs.8.97 crore against Rs.7.68 crore in FY15, on a total operating income of Rs.701.69 crore (FY15: Rs.761.86 crore).

As per the unaudited financials for Q1FY17, NACL has reported an operating income of Rs.155.43 crore (Q1FY16: Rs.153.35 crore) and PAT of Rs.11.18 crore (Q1FY16: Rs.10.11 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**

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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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