

Nagarjuna Fertilizers and Chemicals Limited

April 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1276.14 (reduced from 1411.17)	CARE D (Single D)	Reaffirmed
Long-term/Short-term Bank Facilities	1179.67 (reduced from 1181.17)	CARE D/CARE D (Single D/Single D)	Reaffirmed
Total Facilities	2455.81 (Rs. Two Thousand Four Hundred Fifty Five crore and Eighty One lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Nagarjuna Fertilizers and Chemicals Limited (NFCL) factors in the delays in servicing of debt obligations on account of stretched liquidity position of the company.

Detailed description of the key rating drivers

Key Rating Weaknesses

Stretched liquidity position: The company continued to report subdued operational and financial performance during FY18 and 9MFY19 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 during FY18 & 9MFY19 with resultant stretch on cash flow 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

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[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 FIIs are the major shareholders of NFCL. NFCL, currently, operates 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 Agri-inputs [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.

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)	9MFY19 (UA)
Total operating income	3387.83	3933.49	1,439.38
PBILDT	233.37	342.28	(76.47)
PAT	(121.47)	(21.52)	(352.57)
Overall gearing (times)	1.63	1.54	-
Interest coverage (times)	0.72	1.12	(0.33)

A: Audited, UA-Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: 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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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
Fund-based - LT-Cash Credit	-	-	-	803.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	1179.67	CARE D

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	473.14	CARE D	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE B (07-Oct-16)	1)CARE D (16-Sep-15)
2.	Fund-based - LT-Cash Credit	LT	803.00	CARE D	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE B (07-Oct-16)	1)CARE D (16-Sep-15)
3.	Non-fund-based - ST-BG/LC	ST	1179.67	CARE D	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE A4 (07-Oct-16)	1)CARE D (16-Sep-15)

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CIN - L67190MH1993PLC071691