

Nagarjuna Fertilizers and Chemicals Limited

January 04, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	1411.17 (reduced from 1696.49)	CARE D (Single D)	Reaffirmed
Long/Short-term Bank Facilities	1181.11	CARE D/CARE D (Single D/Single D)	Reaffirmed
Total Facilities	2592.28 (Rs. Two Thousand Five Hundred and Ninety Two crore and Twenty Eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating 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 reported reduced revenue and PBILDT during FY17 led by lower trading activity and shut down of plant during Q4FY17 for scheduled maintenance work. Reduced PBILDT along with high interest cost resulted in net loss and cash loss in FY17. This along with delayed receipt of subsidies from the Government and high debt servicing obligation has resulted in strained liquidity profile. The position continued during H1FY18 as well. Consequently, there are 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. Besides agriculture, the group also has presence in oil refinery segment, through its associate company Nagarjuna Oil Refinery Limited (NORL).

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

Raw material and fuel sourcing arrangement: Natural gas is key feedstock & fuel and NFCL has long-term contract for procuring the same from GAIL and Reliance Industries Limited group 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 (Reassessed capacity – 2,325 MT per day each) at its facilities located at Kakinada, Andhra Pradesh. Plant-I & II operates entirely on natural gas as the feedstock.

Besides manufacturing, NFCL is also involved in trading of Urea (Government Pool Urea), Specialty Fertilizers Agri-inputs and e-National Agricultural Market (e-NAM). A small proportion of NFCL's revenue also comes from micro irrigation business and manufacturing of PVC Pipes.

Nagarjuna group, is an established player in the field of agricultural chemicals and fertilizers with more than three decades of rich experience in the segment.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	3981.39	3387.83
PBILDT	288.60	233.37
PAT	(92.35)	(121.47)
Overall gearing (times)	1.50	1.63
Interest coverage (times)	0.88	0.72

A: Audited

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.

Analyst Contact:

Name: Ms Puja Jalan

Tel: 040 40102030

Cell: +91 9160001511

Email: puja.jalan@careratings.com

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

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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
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BBB; Stable
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	28.00	CARE BBB; Stable / CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB; Stable	-	1)CARE BBB (01-Nov-16) 2)CARE BBB (07-Oct-16)	1)CARE BBB- (06-Nov-15)	1)CARE BBB- (09-Oct-14)
2.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	28.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (01-Nov-16) 2)CARE BBB / CARE A3+ (07-Oct-16)	1)CARE BBB- / CARE A3 (06-Nov-15)	1)CARE BBB- / CARE A3 (09-Oct-14)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com