

## Nagarjuna Fertilizers and Chemicals Limited

March 16, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	1276.14	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	<b>Issuer Not Cooperating; on the basis of best available information</b>
Long/Short-term Bank Facilities	1179.67	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	<b>Issuer Not Cooperating; on the basis of best available information</b>
<b>Total</b>	<b>2455.81 (Rupees Two Thousand Four Hundred Fifty Five crore and Eighty One lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Nagarjuna Fertilizers and Chemicals Limited** to monitor the rating(s) vide e-mail communications dated March 09, 2020, March 05, 2020 and June 17, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Nagarjuna Fertilizers and Chemicals Limited's bank facilities will now be denoted as '**CARE D; ISSUER NOT COOPERATING\***'.

***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.

### Detailed description of the key rating drivers

*At the time of last rating on March 30, 2019 the following were the rating strengths and weaknesses (updated for FY19 financials obtained from stock exchange filings)*

### Key Rating Weaknesses

**Stretched liquidity position:** The company continued to report subdued operational and financial performance during FY19 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 for the year FY19 with resultant stretch on cash flow position and delays in debt servicing. The total operating income more than halved to Rs.1950.59 crore in FY19 as compared to Rs.3933.49 crore in FY18.

**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.

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

**Analytical approach:** Standalone

**Applicable Criteria**

**Policy in respect of Non-cooperation by issuer**

**Criteria on assigning Outlook and credit watch to Credit Ratings**

**CARE's Policy on Default Recognition**

**Criteria for Short Term Instruments**

**Financial ratios – Non-Financial Sector**

**CARE's Methodology for Manufacturing Companies**

**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 Agriinputs [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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	3933.49	1950.59
PBILDT	342.28	(104.89)
PAT	(21.52)	(490.73)
Overall gearing (times)	1.54	2.87
Interest coverage (times)	1.12	(0.34)

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

**Annexure-1: Details of 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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	803.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ ST-BG/LC	-	-	-	1179.67	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not cooperate; Based on best available information

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Term Loan-Long Term	LT	473.14	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE B (07-Oct-16)
2.	Fund-based - LT-Cash Credit	LT	803.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE B (07-Oct-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	1179.67	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (04-Apr-19)	-	1)CARE D (04-Jan-18)	1)CARE D (21-Mar-17) 2)CARE A4 (07-Oct-16)

\*Issuer did not cooperate; Based on best available information

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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