

## Zuari Global Limited

March 20, 2020

### Ratings

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Non-Convertible Debentures - Zorro – I	197.00	CARE BB (CE) (Under credit Watch with Negative Implications)	Placed Under Credit Watch with Negative Implications
Non-Convertible Debentures - Zorro – II	118.00**	CARE BB (CE) (Under credit Watch with Negative Implications)	Placed Under Credit Watch with Negative Implications
<b>Total Facilities</b>	<b>315.00</b> <b>(Rupees Three Hundred Fifteen crore only)</b>		

\*\*out of which Rs. 113.00 crore was subscribed on December 03, 2019

### Detailed Rationale & Key Rating Drivers

The rating assigned to the NCD issues of Zuari Global Limited (ZGL) aggregating Rs. 315 crore factors in the credit enhancement in the form of a trustee-administered structured payment mechanism backed by the security of first and exclusive pledge of shares of Gillette India Limited (Gillette, held by Adventz Finance Private Limited (AFPL)) and Chambal Chemicals and Fertilizers Limited (Chambal, held by ZGL) to provide the minimum aggregate security cover of 2.5 times with Gillette shares to contribute security cover of atleast 2.0 times of the issue size till the redemption of NCD.

The ratings have been placed on credit watch with Negative implications following the decline in share price of pledged shares for raising NCD Issues and low proportion of unencumbered shares available with the company to maintain aggregate collateral cover with collateral top-up mechanism expecting further decline in share prices. Further, company is in process of pledging the Gillette shares available with its promoter company by entering an agreement with them for providing adequate cover for the transaction.

CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

However, the ratings assigned continues to derive strength from its Liquidity risk associated with the low traded volumes of Gillette shares and moderate operating cash flow of ZGL for servicing of NCD coupons and principal repayment obligations of NCD issue are the key rating constraints. The ratings, also factors in the robust credit profile and low volatility in the share price of underlying securities (i.e. Gillette and Chambal).

### Key Rating Sensitivities

#### Positives

- Timely execution of agreement for pledge of GIL shares held by its promoter company
- Substantial improvement in the market prices of investments in the group companies,

#### Negatives

- Decline in Market price of Pledged Shares and subsequently fall in security cover requirement
- Substantial increase in total debt availed and further support given to group companies.
- Non-adherence to the structure by any of the parties to the transaction.

**Analytical Approach:** The approach followed to arrive at the rating is by considering credit enhancement in the form of trustee administered structure payment mechanism backed by the security cover of first and exclusive pledge of shares of Chambal Fertilizers and chemicals Limited and Gillette India Limited to provide adequate security cover.

### Applicable Criteria

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

[CARE's Policy of Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology- Rating of loans by investment holding companies](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### About the Company

Zuari Global Ltd (ZGL), erstwhile Zuari Industries Limited, is a Public limited company incorporated under the Companies Act, 1956 and is the holding company of Well Established and Diversified Adventz Group. ZGL in its capacity as holding company has a large portfolio of subsidiaries and associates and predominantly concentrates on investment in the group companies & is engaged in real estate development. The group (as renamed to Adventz Group of Companies) is now led by Mr. Saroj Kumar Poddar (Son in law of Mr. K.K Birla, husband of Jyotsna Poddar), comprises 23 companies in various verticals and has significant presence in agriculture, engineering & infrastructure, real estate, consumer durables and services. Mr. Poddar is the Chairman of Zuari Agro Chemicals Limited, Zuari Global Limited, Chambal Fertilisers & Chemicals Limited, Paradeep Phosphates Limited, Texmaco Infrastructure & Holdings Limited and Texmaco Rail & Engineering Limited.

ZGL on a standalone basis derives majority of its income from Interest on loans & advances given to its group companies & dividend income from the large portfolio of investments that it holds & also from its real estate project under development. ZGL being the principal promoter entity has also extended Corporate Guarantees for many of the group companies to support their operations.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	40.31	43.43
PBILDT	20.41	36.76
PAT	17.96	40.28
Overall gearing (times)*	0.53	0.65
Interest coverage (times)	35.95	3.33

\*After considering Corporate Guarantees Issued by Zuari Global Limited for Group Companies as a part of debt

A: Audited

### Indicative Terms of the proposed transaction (of Zorro I and Zorro II)

<b>Issuer</b>	Zuari Global Limited
<b>Promoter Group</b>	Adventz Group
<b>Listed Cos.</b>	Gillette India Limited ("GIL") and Chambal Fertilisers and Chemicals Limited ("Chambal")
<b>Pledgors</b>	<ul style="list-style-type: none"> <li>▪ For GIL Shares: Adventz Finance Private Limited</li> <li>▪ For Chambal Shares: Zuari Global Limited</li> </ul>
<b>Facility Type</b>	INR denominated Rated, Listed Non-Convertible Debentures ("NCDs")
<b>Facility Amount</b>	INR 315 crore divided as below: NCD Facility of July 15, 2019 (Zorro I): Rs. 197 crore New NCD Facility (ZORRO II): Rs. 118 crore
<b>Tenure</b>	3 years bullet repayments
<b>Use of proceeds</b>	For payment to subscribe to Compulsorily Convertible Debentures (CCDs) being issued by Zuari Agro Chemicals Limited (ZACL) for general corporate purposes and payment of fees and expenses related to facility.
<b>Security</b>	<p>First ranking exclusive pledge over shares of Listed Cos. of at least 2.5x of Facility Amount ("Total Collateral Cover") with GIL shares to contribute to at least 2.0x of Facility Amount ("GILL Collateral Cover") on a combined basis between Zorro I and Zorro II at inception</p> <p>a) Subject to point b below, if at any time during the tenor of the Facility, the Total Collateral Cover falls below 2.5x and/or GIL Collateral Cover falls below 2.0x, Pledgor to pledge additional shares of Listed Cos. or deposit cash in the cash top-up account (to be charged with the Lender) such that the Total Collateral Cover is restored to at least 2.5x and GIL Collateral Cover is restored to at least 2.0x. Subject to point b below, no restriction on number of share top ups</p> <p>b) Shares being pledged for GILL Collateral Cover at inception and at any GILL Collateral cover top up event to be made only from the existing Gillette shares held by Adventz Finance Private Limited. Post that in any case of any GILL collateral cover top up event, cash top up of at least 0.2x of facility amount to be made in the cash top up account (to be charged with the lender) to restore GILL Collateral cover to above 2.0x.</p>
<b>Mandatory Prepayment</b>	<ul style="list-style-type: none"> <li>▪ Fall in share price of any of the Listed Cos. by 35% or more since inception and/or fall in share price of any of the Listed Cos. by 19.9% or more in a single trading day</li> <li>▪ Suspension of trading / delisting of shares of Listed Cos.</li> </ul>
<b>Undertaking and Covenants</b>	<ul style="list-style-type: none"> <li>▪ Adventz Group to continue to hold the current shareholding in GILL and in Chambal</li> <li>▪ Adventz Group to continue to hold 51% in the Issuer</li> <li>▪ Zorro I and Zorro II facility shall have a common security and a common security trustee</li> </ul>
	Customary to financings of this nature to be applicable in case of events pertaining to Borrower/

<b>Events of Default</b>	Issuer, Listed Cos. including but not limited to non-payment, illegality, cross default (carve out for certain group companies which are in default/ dependent on government subsidies)
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**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 Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non Convertible Debentures	INE217A07043	July 15, 2019	8.0% p.a. payable quarterly and 3.735% p.a. compounded quarterly and payable on Maturity	July 14, 2022	197.00	CARE BB (CE) (Under Credit watch with Negative Implications)
Non Convertible Debentures	INE217A07050	Dec 04, 2019	8.0% p.a. payable quarterly and 3.277% p.a. compounded quarterly and payable on Maturity	Dec 05, 2022	118.00*	CARE BB (CE) (Under Credit watch with Negative Implications)

\*out of which Rs. 113.00 crore was allotted on December 04, 2019

**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.	Debentures-Non Convertible Debentures	LT	197.00	CARE BB (CE) (Under Credit watch with Negative Implications)	1)CARE BB (CE); Stable (24-Jul-19) 2)Provisional CARE BB (CE); Stable (12-Jul-19)	-	-	-
2.	Debentures-Non Convertible Debentures	LT	118.00	CARE BB (CE) (Under Credit watch with Negative Implications)	1)CARE BB (CE); Stable (16-Dec-19) 2)Provisional CARE BB (CE); Stable (22-Nov-19)	-	-	-

**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:

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.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**