Mangalore Chemicals
& Fertilizers Limited

MCFL/SE/2016

January 6, 2016

The Asst. Vice President,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
MUMBAI - 400 051
Fax :No. 022 – 26598237 / 8

Department of Corporate Services - CRD
BSE Limited,
Floor 25, PhirozeJeejeebhoy Towers,
Dalal Street
MUMBAI - 400 001
Fax No. 022 – 22723121

Dear Sir

Sub: Intimation of Revision in Rating

Pursuant to the provisions of Regulation 30 and Sub Para 3 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note that CRISIL has revised the Long Term Rating to CRISIL BB/Stable from CRISIL BBB/Negative and Short Term Rating to CRISIL A4+ (pronounced as CRISIL A Four Plus) from CRISIL A3+ (pronounced as CRISIL A Three Plus). The rationale given by CRISIL, which was not accepted by the Company, is given below.

Kindly take the same on record.

Thanking you,

Yours faithfully,
for Mangalore Chemicals and Fertilizers Limited

Vijayamahantesh V. Khannur
Company Secretary

Rationale given by CRISIL:

The rating action reflects CRISIL's belief that MCFL's operating performance and debt protection metrics will remain weak over the medium term; the company reported negative net cash accruals in first half of 2015-16 (refers to financial year, April 1 to March 31) with interest cover of less than 1 time. The operating performance has weakened in 2015-16 on account of deficient monsoon in its key target market – Karnataka and tightening of energy consumption norms at its urea plant.

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CRISIL has also taken into consideration GoI's policy on continuation of production of urea using naphtha as feedstock till gas connectivity is established. This CRISIL believes will enable uninterrupted production at MCFL's urea plant. However, the subsidy will be paid as per the cost of production based on naphtha or RLNG, whichever is lower. This could lead to variability in MCF's urea profits over the medium term, until gas supply is provided to MCF.

The rating also factor in MCFL's parentage of Zuari Agro Chemicals Ltd (ZACL), one of the flagship company of Adventz group, which through its wholly owned subsidiary, Zuari Fertilisers and Chemicals Ltd, has acquired 53.03 per cent shareholding in MCFL in May 2015. The group has diverse businesses including fertilisers and has healthy financial flexibility. CRISIL believes that MCF will derive synergistic benefits from being part of Adventz group.

The ratings reflect MCFL's established position in the fertiliser segment, especially in South India, and managerial, financial and operational support that MCFL receives from its ultimate parent ZACL. These rating strengths are partially offset by the company's below-average financial risk profile marked by weak debt protection metrics, and its susceptibility to volatility in raw material prices. The ratings also factor in MCFL's exposure to risks related to the stringent regulations for the fertiliser industry.



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