



NACL Industries Limited

Ref: NACL/SE/2023-24

July 28, 2023

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

Company Code: 524709

National Stock Exchange of India Ltd

Exchange Plaza, 5th Floor,
Plot No.C/1 G Block, Bandra- Kurla Complex,
Bandra, Mumbai – 400051

Symbol: NACLIND

Dear Sir/Madam,

Sub: Intimation of Credit Rating — reg.

Pursuant to the Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that, CRISIL, vide its letter dated July 27, 2023, has assigned the credit rating to the Long Term & Short Term Bank Facilities of NACL Industries Limited and NACL Spec-Chem Limited (a Wholly Owned Subsidiary of NACL). The details of the same are given herein below:

A) NACL Industries Limited - Rating Action:

Facility	Rating Type	Rating Action	Rated Amount
Bank Loan	Long Term Rating	CRISIL A/Stable (Re-affirmed)	₹ 915 Crores (Enhanced from ₹ 600 crores)
	Short Term Rating	CRISIL A1 (Re-affirmed)	

B) NACL Spec- Chem Limited - Rating Action:

Facility	Rating Type	Rating Action	Rated Amount
Bank Loan	Long Term Rating	CRISIL A-/Stable (Upgraded from 'Crisil BBB+/Stable)	₹ 165 Crores (Enhanced from ₹ 135 crores)
	Short Term Rating	CRISIL A2+ (Assigned)	

Kindly take the same into records.

Thanking you,

for **NACL Industries Limited**

Satish Kumar Subudhi

Vice President -Legal & Company Secretary

Encl: As above



Rating Rationale

July 27, 2023 | Mumbai

NACL Industries Limited

Ratings reaffirmed at 'CRISIL A / Stable / CRISIL A1'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.915 Crore (Enhanced from Rs.600 Crore)
Long Term Rating	CRISIL A/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has reaffirmed its 'CRISIL A/Stable/CRISIL A1' ratings on the bank facilities of NACL Industries Ltd (NACL; a part of the NACL group).

The ratings continue to reflect the strong market presence and brand of NACL in the agrochemical space, supported by the extensive experience of the management team, well-established clientele, geographical diversification in revenue, improving business performance and above-average financial risk profile. These strengths are partially offset by large working capital requirement, exposure to competition and susceptibility to regulatory changes and seasonality inherent in the agrochemicals sector.

Analytical approach

CRISIL Ratings has combined the business and financial risk profiles of NACL and all its subsidiaries and associate companies. This is because all these entities, collectively referred to as the NACL group, are in the same line of business and have common promoters and strong business and financial linkages. Also, NACL holds a 26% stake in Nasense Labs Pvt Ltd and has been consolidated accordingly.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key rating drivers and detailed description

Strengths

Established market presence

Supported by an experienced management team, NACL has built a strong three-decade-long market presence in the agrochemicals segment. The management has established healthy relationships with customers across geographies, comprising established players in India and export markets, such as Syngenta Asia Pacific Pte Ltd, Saraswati Agro Chemicals India Pvt Ltd and Nissan Chemical Corporation. NACL sells a wide range of insecticides, fungicides, herbicides and plant growth regulators. Ability to develop products to meet upcoming demand could enhance growth over the medium term. The company will continue to benefit from the expertise of the promoters and management and leverage its customer relationships.

Improving business performance

Business performance has improved consistently in the past, with revenue growing to Rs 2,105 crore in fiscal 2023 from Rs 1,002 crore in fiscal 2020. The growth momentum is expected to continue over the medium term with commencement of operations in the subsidiary, NACL Spec Chem Ltd (NSCL) and the continued demand from the existing products. Operating margin may increase to above 10% going forward as against 8-9% in the past owing to better absorption of fixed cost on account of higher economies of scale.

Above-average financial risk profile

The above-average financial risk profile of NACL is reflected in moderate capital structure and comfortable debt protection metrics. Gearing stood at 1.37 times as on March 31, 2023, led by higher reliance on working capital borrowing and the debt availed for capex in the subsidiary. Debt protection metrics were moderate, indicated by interest coverage ratio of 4.34 times and net cash accrual to total debt ratio of 0.15 time in fiscal 2023.

Weaknesses

Large working capital requirement

Gross current assets have been 210-240 days over the four fiscals through 2023. The company offers considerable credit in the domestic formulations business and has to maintain adequate inventory owing to the number of stocks keeping units, import of raw materials and seasonality in operations. Receivables are 100-120 days and inventory at 70-90 days on average. The incremental working capital requirement is managed efficiently through a mix of cash accrual and bank

borrowing. Nevertheless, operations will remain working capital intensive, especially in the biological segment, on account of the nature of the industry; prudent working capital management will be critical.

Exposure to competition, regulatory changes and seasonality in the agrochemicals sector

The domestic agrochemical formulations industry has numerous organised players with regional presence. As NACL is into generic molecules, it faces intense competition from organised as well as unorganised players in the domestic market. Also, the domestic agrochemicals sector is dependent on monsoon and the level of farm income. Fortunes of this sector are, therefore, linked to the quantum, timing and distribution of rainfall in a year, exposing the players' revenue to seasonal trends. Besides, surplus or inadequate rainfall could impact profitability of players and lead to build-up in the working capital requirement. The business performance of NACL, like that of other agrochemical manufacturers, may also be impacted by regulatory changes, such as export and import policies, registration policies and product and environment safety requirements in India and abroad

Liquidity: Strong

Bank limit utilisation was 82% over the 12 months through March 2023. Cash accrual is projected at more than Rs 150 crore per annum, against yearly repayment obligation of around Rs 65 crore over the medium term. Cash and bank balance was healthy at around Rs 41 crore and current ratio moderate at 1.27 times on March 31, 2023.

Outlook: Stable

The NACL group will continue to benefit from the extensive experience of the promoters and their healthy relationship with clients.

Rating sensitivity factors

Upward factors

- Steady increase in revenue and sustenance of the operating margin at 9-10%, leading to higher-than-expected cash accrual
- Improvement in the financial risk profile, with overall gearing less than 0.6 time
- Stabilisation of operations at the Dahej plant (NSCL) in Gujarat and contributing to significantly higher revenue.

Downward factors

- Sustained decline in revenue, with profitability below 7%
- Stretched working capital cycle, resulting in material increase in debt or debtor write-offs

About the group

NACL, incorporated in 1986, manufactures and exports crop protection technical (active ingredient) and formulations. It manufactures all kinds of pesticides, insecticides, herbicides, fungicides and other plant growth chemicals. The formulation business of the company is mainly in the Indian market, and it sells through a large retail dealer network spread across India; it also has a range of branded formulations. The company has two manufacturing units at Srikakulam and Ethakota in Andhra Pradesh and one research and development centre in Telangana. Ms K Lakshmi Raju is the promoter and Mr M Pavan Kumar manages the operations.

NSCL set up a manufacturing unit at Dahej. The unit has installed capacity of 6,000 tonne per annum for manufacturing technical and intermediate for domestic as well as export markets.

Key financials indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	2,104.64	1,636.43
Reported profit after tax (PAT)	Rs crore	94.87	73.42
PAT margin	%	4.51	4.49
Adjusted debt/adjusted networth	Times	1.37	1.24
Interest coverage	Times	3.8	5.19

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit*	NA	NA	NA	125	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	35	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	55	NA	CRISIL A/Stable

NA	Cash Credit*	NA	NA	NA	34	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	75	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	50	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	5	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	30	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	26.32	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	33.68	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	35	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	11	NA	CRISIL A/Stable
NA	Cash Credit*	NA	NA	NA	40	NA	CRISIL A/Stable
NA	External Commercial Borrowings	NA	NA	May-24	7.3	NA	CRISIL A/Stable
NA	Letter of Credit	NA	NA	NA	20	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	15	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	55	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	30	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	30	NA	CRISIL A1
NA	Letter of Credit	NA	NA	NA	45	NA	CRISIL A1
NA	Long Term Loan	NA	NA	Jan-25	13.13	NA	CRISIL A/Stable
NA	Long Term Loan	NA	NA	Feb-26	40	NA	CRISIL A/Stable
NA	Long Term Loan	NA	NA	Jan-26	28.85	NA	CRISIL A/Stable
NA	Long Term Loan	NA	NA	Dec-24	11.66	NA	CRISIL A/Stable
NA	Long Term Loan	NA	NA	Mar-28	19.34	NA	CRISIL A/Stable
NA	Long Term Loan	NA	NA	Jun-25	19.4	NA	CRISIL A/Stable
NA	Proposed Working Capital Facility	NA	NA	NA	25.32	NA	CRISIL A1

*WCDL and Pre&post shipment Credit are sublimits of Cash Credits

Annexure - List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
NACL Industries Ltd	Full	Same line of business, common promoters and strong business and financial linkages. NACL holds a 26% stake in Nasense Labs Pvt Ltd and has been consolidated accordingly
LR Research Laboratories Pvt Ltd	Full	
NSCL	Full	
Nagarjuna Agrichem (Australia) Pty Ltd	Full	
NACL Multichem Pvt Ltd	26%	

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	720.0	CRISIL A1 / CRISIL A/Stable		--	08-08-22	CRISIL A1 / CRISIL A/Stable		--		--	--
Non-Fund Based Facilities	ST	195.0	CRISIL A1		--	08-08-22	CRISIL A1		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{&}	125	HDFC Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	35	SVC Co-Operative Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	55	RBL Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	34	Shinhan Bank	CRISIL A/Stable
Cash Credit ^{&}	75	Axis Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	50	Bandhan Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	5	Bank of Bahrain and Kuwait B.S.C.	CRISIL A/Stable
Cash Credit ^{&}	30	SBM Bank (India) Limited	CRISIL A/Stable

Cash Credit ^{&}	26.32	Kotak Mahindra Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	33.68	Kotak Mahindra Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	35	YES Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	11	IndusInd Bank Limited	CRISIL A/Stable
Cash Credit ^{&}	40	Doha Bank	CRISIL A/Stable
External Commercial Borrowings	7.3	RBL Bank Limited	CRISIL A/Stable
Letter of Credit	45	IndusInd Bank Limited	CRISIL A1
Letter of Credit	20	Axis Bank Limited	CRISIL A1
Letter of Credit	15	Bandhan Bank Limited	CRISIL A1
Letter of Credit	55	Bank of Bahrain and Kuwait B.S.C.	CRISIL A1
Letter of Credit	30	SBM Bank (India) Limited	CRISIL A1
Letter of Credit	30	YES Bank Limited	CRISIL A1
Long Term Loan	40	Bajaj Finance Limited	CRISIL A/Stable
Long Term Loan	28.85	RBL Bank Limited	CRISIL A/Stable
Long Term Loan	11.66	RBL Bank Limited	CRISIL A/Stable
Long Term Loan	19.34	RBL Bank Limited	CRISIL A/Stable
Long Term Loan	19.4	Doha Bank	CRISIL A/Stable
Long Term Loan	13.13	Bajaj Finance Limited	CRISIL A/Stable
Proposed Working Capital Facility	25	Not Applicable	CRISIL A1
Proposed Working Capital Facility	0.32	Not Applicable	CRISIL A1

& - WCDL and Pre&post shipment Credit are sublimits of Cash Credits

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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Rating Rationale

July 27, 2023 | Mumbai

NACL Spec-Chem Limited

Rating upgraded to 'CRISIL A- / Stable'; 'CRISIL A2+' assigned to Bank Debt; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.165 Crore (Enhanced from Rs.135 Crore)
Long Term Rating	CRISIL A-/Stable (Upgraded from 'CRISIL BBB+/Stable')
Short Term Rating	CRISIL A2+ (Assigned)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of NACL Spec-Chem Ltd (NSCL) to '**CRISIL A-/Stable**' from '**CRISIL BBB+/Stable**' and has assigned its '**CRISIL A2+**' rating to the short-term bank facility.

The upgrade reflects the project completion and commencement of operations by the company in January 2023. NSCL has started generating revenue and is operating at around 90% of capacity.

The ratings reflect the extensive experience of the promoter in the agrochemicals industry and the strong support from the parent, NACL Industries Ltd (NACL). These strengths are partially offset by moderately leveraged capital structure and exposure to intense competition, regulatory changes, and seasonality in the agrochemicals sector.

Analytical approach:

CRISIL Ratings has factored in the support from the parent, NACL, by applying its parent notch-up criteria.

Key rating drivers and detailed description

Strengths:

Extensive industry experience of the promoter: Supported by an experienced management team, NACL has built a strong three-decade-long market presence in the agrochemicals segment. The management has established healthy relationships with customers, which are diversified across geographies and include established players in India and abroad. The group sells a wide range of insecticides, fungicides, herbicides and plant growth regulators. Ability to develop products to cater to upcoming demand could enhance growth over the medium term. The company will continue to benefit from the experience and expertise of its promoter and management and leverage its customer relationships.

Completion of capex: NSCL commenced operations in January 2023. During the first quarter of fiscal 2024, the company generated revenue of Rs 50-55 crore. Currently, capacity of around 4000 tonne is operational and the company is operating at around 90% of capacity. The remaining 2000 tonne capacity will become operational in the short term, which will drive up revenue. Revenue is expected above Rs 300 crore in fiscal 2024 and the company is likely to report operating profit in the first full year of operations.

Strong support from the parent: NSCL is a fully owned subsidiary of NACL, and receives financial, operational and managerial support from the parent. The NACL group has helped NSCL raise funds through term debt as and when required. NACL has also given a corporate guarantee for the debt facilities availed by NSCL.

Weaknesses:

Moderately leveraged capital structure: NSCL has an average financial risk profile with moderately leveraged capital structure on account of debt-funded project and moderate debt protection metrics. However, as the project has been completed and debt repayment has started, the capital structure should improve over the medium term with better accretion to reserve and reduction in term debt. NACL has brought in additional funds in the form of CCDs, which supports the financial risk profile of NSCL.

Exposure to competition, regulatory changes and seasonality in the agrochemicals sector: The domestic agrochemical formulations industry has a large number of organised players with regional presence. As the NACL group is into generic molecules, it faces intense competition from organised as well as unorganised players in the domestic market. Also, the domestic agrochemicals sector is dependent on monsoon and the level of farm income.

Liquidity: Adequate

Bank limit utilisation was moderate at 81.7% on average for the three months through March 2023. Cash accrual is expected over Rs 20 crore against term debt obligation of Rs 9-15 crore over the medium term, and will cushion liquidity.

Current ratio was 0.95 time on March 31, 2023.

Outlook: Stable

CRISIL Ratings believes NSCL will continue to benefit from the extensive experience of its promoter and established relationships with clients

Rating sensitivity factors

Upward factors

- * Stabilisation of operations and revenue more than Rs 500 crore with operating margin over 14%
- * Improvement in the financial risk profile
- * Upgrade in credit rating of the parent

Downward factors

- * Significantly low cash accrual during the initial phase of operations
- * Operating margin remaining weak below 9% during the initial phase of operations
- * Any significant change in strategy of the parent affecting the business risk profile of NACL or downgrade in credit rating of the parent

About the company

Incorporated in April 2020, NSCL is a wholly owned subsidiary of NACL. The company has set up a manufacturing unit with installed capacity of 6,000 tonne per annum in the Dahej Industrial Zone in Gujarat. The company is promoted by Ms K Lakshmi Raju.

About the group

NACL, incorporated in 1986, manufactures and exports crop protection technicals (active ingredients) and formulations. It manufactures all kinds of pesticides, insecticides, herbicides, fungicides and other plant growth chemicals. The company's formulation business is mainly in India and it sells through its large retail dealer network across the country. It also has a range of branded formulations. The company has two manufacturing units, at Srikakulam and Ethakota in Andhra Pradesh, and one research and development centre in Telangana. Ms K Lakshmi Raju is the promoter of the company and operations are managed by M Pavan Kumar.

Key financial indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	16	0
Reported profit after tax	Rs crore	-8.97	-0.36
PAT margin	%	-46.46	-8834.15
Adjusted debt/adjusted networth	Times	-41.99	37.36
Interest coverage	Times	-0.31	-0.02

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash credit*	NA	NA	NA	10	NA	CRISIL A-/Stable
NA	Letter of credit	NA	NA	NA	20	NA	CRISIL A2+
NA	Term loan	NA	NA	Mar-28	35	NA	CRISIL A-/Stable
NA	Term loan	NA	NA	Mar-28	100	NA	CRISIL A-/Stable

*WCDL and Pre&post shipment Credit are sublimits of Cash Credit.

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	145.0	CRISIL A-/Stable		--	03-10-22	CRISIL BBB+/Stable		--		--	--
Non-Fund Based Facilities	ST	20.0	CRISIL A2+		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{&}	10	Axis Bank Limited	CRISIL A-/Stable
Letter of Credit	20	Axis Bank Limited	CRISIL A2+
Term Loan	35	Axis Bank Limited	CRISIL A-/Stable
Term Loan	100	HDFC Bank Limited	CRISIL A-/Stable

& - WCDL and Pre&post shipment Credit are sublimits of Cash Credit.

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
Rating criteria on Financial risk framework for manufacturing and services sector companies
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support

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