

## Nagarjuna Fertilizers & Chemicals Ltd — 01 Oct 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	<b>CARE D / CARE D</b> (Maintained at Default / Issuer Not Cooperating)
Outlook (Current vs Previous)	<b>Not Applicable</b> (Remains in Default)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Chronic Non-Cooperation:</b> Failure to provide information since July 2023; suggests severe transparency/governance issues.</li> <li><b>Operational Loss:</b> FY24 EBITDA (PBILDT) turned negative at <b>-₹156.68 Cr</b> (vs +₹79.82 Cr FY23), indicating core operations cannot cover costs.</li> <li><b>Liquidity Collapse:</b> Interest coverage is "NM" (Not Meaningful/Negative), confirming inability to service ₹2,455.81 Cr of debt.</li> <li><b>Revenue Contraction:</b> Total Operating Income fell <b>15.5% YoY</b> to ₹4,765.39 Cr in FY24 due to manufacturing/trading headwinds.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li><b>Cash Credit:</b> ₹803.00 Cr</li> </ul>
Key Observations	<ul style="list-style-type: none"> <li><b>Strengths:</b> Flagship company of Nagarjuna Group; established Urea capacity (2,300 MT/day); strategic Kakinada location.</li> <li><b>Asset Base:</b> Plants can switch between Natural Gas and Naphtha (Plant-II).</li> <li><b>Financial Decay:</b> Massive PAT loss of <b>₹1,283.89 Cr</b> in FY24.</li> <li><b>Insolvency Signal:</b> Gearing is "NM," implying complete erosion of Net Worth.</li> <li><b>Reporting Risks:</b> Reliance on "best available information" due to management's refusal to share data.</li> <li><b>Sector Stress:</b> High sensitivity to gas prices and subsidy disbursement cycles.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Equity Value:</b> Effectively zero or negative given the "NM" gearing and defaulted debt status.</li> <li><b>Dilution/Haircut Risk:</b> Any potential resolution will likely involve a massive equity wipeout or debt-to-equity conversion at a steep discount.</li> <li><b>Growth:</b> Stagnant; negative margins preclude any CAPEX or maintenance.</li> </ul>
Agency / Cross Analysis	<p><b>Consistency:</b> India Ratings also placed NFCL under "Issuer Not Cooperating" (Sept 2024).</p> <p><b>Internal Trend:</b> CARE has maintained "D" since May 2021. No signs of remediation or debt restructuring progress.</p> <p><b>Conclusion: Deterioration.</b> The shift from low profitability to negative EBITDA signifies a transition from financial distress to operational failure.</p>
Final Inference	NFCL is a "Zombie" company. The combination of <b>Default, Negative EBITDA, and Refusal to Cooperate</b> with agencies indicates terminal risk for equity holders and a likely IBC/Liquidation trajectory.