



NACL Industries Limited

Ref: NACL/SE/2024-25

January 10, 2025

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 January 09, 2025, has revised the credit rating assigned 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 BBB-/Negative (Downgraded from 'CRISIL BBB+/Stable')	₹ 915 Crores
	Short Term Rating	CRISIL A3 (Downgraded from 'CRISIL A2')	

B) NACL Spec-Chem Limited - Rating Action:

Facility	Rating Type	Rating Action	Rated Amount
Bank Loan	Long Term Rating	CRISIL BB+/Negative (Downgraded from 'CRISIL BBB/Stable')	₹ 175 Crores
	Short Term Rating	CRISIL A4+ (Downgraded from 'CRISIL A3+')	

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

January 09, 2025 | Mumbai

NACL Industries Limited

Ratings downgraded to 'CRISIL BBB-/Negative/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.915 Crore
Long Term Rating	CRISIL BBB-/Negative (Downgraded from 'CRISIL BBB+/Stable')
Short Term Rating	CRISIL A3 (Downgraded from 'CRISIL A2')

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 downgraded its ratings on the bank facilities of NACL Industries Ltd (NACL; a part of the NACL group) to '**CRISIL BBB-/Negative/CRISIL A3**' from '**CRISIL BBB+/Stable/CRISIL A2**'.

The downgrade reflects the belief of CRISIL Ratings that NACL group's business performance for fiscal 2025 will be significantly weaker than expected due to slower-than-expected recovery in performance in the first half of fiscal 2025 while liquidity continues to remain under pressure. The group reported consolidated revenue of Rs 765 crore and net loss of Rs 5.94 crore in the first half of fiscal 2025 which is much weaker than the expectations of CRISIL Ratings. Liquidity also remains stretched on account of modest accrual which is expected to be insufficient to meet the debt obligation in fiscal 2025. Furthermore, the liquidity was also impacted by the constraints placed by some of the lenders on availing working capital limits which is expected to impact future revenue growth while constraining the financial flexibility of the group.

However, these are partly mitigated by expected fund infusion of Rs 50 crore by the group through preferential issue of warrants and shares. Timely infusion of funds by the promoter and investors, revival in business performance in the subsequent quarters along with the ability of the management to raise funds or bank loans in a timely manner remain monitorable.

The ratings 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 and moderate 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: Consolidated

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 market presence in the agrochemicals segment over the past three decades. 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. Its ability to develop products to meet upcoming demand could enhance growth over the medium term. The expertise of the promoters, their strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business.

- **Moderate financial risk profile:** The financial risk profile remained moderate with higher debt of around Rs 789 crore as on March 31, 2024, resulting in overall gearing of 1.6 times. Networth moderated to Rs 511 crore on account of the losses in fiscal 2024, but reliance on working capital borrowing was high. Reliance on creditors and external debt for funding the working capital requirement is expected to remain high over the medium term. Consequently, the capital structure is expected to remain leveraged while the debt service coverage metrics are expected to remain subdued. Equity infusion of Rs 50 crore is expected to support the financial risk profile to some extent. However, timely infusion of funds and disbursement of working capital limits will remain monitorable.

Weaknesses:

- **Large working capital requirement:** The working capital cycle was stretched in fiscal 2024 because of weak industry scenario, prompting the company to provide extended credit to customers. Gross current assets were 258 days on March 31, 2024, driven by debtors of around 159 days (against 134 days a year ago). The company offers considerable credit in the domestic formulations business and must maintain adequate inventory owing to the number of stock keeping units, import of raw materials and seasonality in operations. 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 the 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: Stretched

Liquidity is expected to remain stretched as the annual cash accrual is expected to be lower than the debt obligation in the ongoing fiscal. Liquidity is also stretched because of the restriction placed by a few lenders on full utilisation of working capital limits. The fund infusion by the promoter of Rs 40 crore and Rs 10 crore from another investor is expected to support liquidity to some extent, but the timely infusion of the funds will remain critical. The current ratio was 1.13 times as on March 31, 2024.

Outlook: Negative

The outlook is Negative on account of weaker-than-expected performance of the group and stretched liquidity with restrictions on availing the working capital limits.

Rating sensitivity factors

Upward factors

- Substantial and sustainable increase in revenue and operating margin, leading to net cash accrual more than Rs 70 crore
- Improvement in the liquidity position of the group
- Improvement in the financial risk profile, especially debt protection metrics

Downward factors

- Revenue declining to less than Rs 1,600 crore and operating margin dropping below 6%
- Further impact on the liquidity profile due to restrictions imposed on utilisation of limits
- Any further provision towards doubtful debtors or write-offs impacting the credit risk profile

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 Srikulam 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, established in April 2020, set up a manufacturing unit at Dahej Industrial Zone. The unit has installed capacity of 6,000 tonne per annum for manufacturing agrochemical technical and intermediate for domestic as well as export markets. Ms K Lakshmi Raju is the promoter.

For the six months through September 2024, the group reported consolidated total income and net loss of Rs 771.44 crore and Rs 5.90 crore, respectively, against Rs 959.66 crore and Rs 33.98 crore, respectively, in the corresponding period of the previous fiscal.

Key financial indicators

As on/for the period ended March 31		2024	2023	H1 FY2025	H1 FY2024
Operating income	Rs crore	1762	2,105	765	956
Reported profit after tax (PAT)	Rs crore	-59	95	-6	-34
PAT margin	%	-3.34	4.51	-0.77	-3.55
Adjusted debt/adjusted networth	Times	1.66	1.37	1.03	1.44
Interest coverage	Times	0.26	4.23	1.20	0.17

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 Outstanding with Outlook
NA	Cash Credit*	NA	NA	NA	460.00	NA	CRISIL BBB-/Negative
NA	Letter of Credit	NA	NA	NA	125.00	NA	CRISIL A3
NA	Proposed Working Capital Facility	NA	NA	NA	197.62	NA	CRISIL A3
NA	Long Term Loan	NA	NA	31-Mar-28	19.34	NA	CRISIL BBB-/Negative
NA	Long Term Loan	NA	NA	31-Jan-25	13.13	NA	CRISIL BBB-/Negative
NA	Long Term Loan	NA	NA	28-Feb-26	40.00	NA	CRISIL BBB-/Negative
NA	Long Term Loan	NA	NA	31-Jan-26	28.85	NA	CRISIL BBB-/Negative
NA	Long Term Loan	NA	NA	31-Jan-25	11.66	NA	CRISIL BBB-/Negative
NA	Long Term Loan	NA	NA	30-Jun-25	19.40	NA	CRISIL BBB-/Negative

* - Working capital demand loan and Pre&post shipment Credit are sublimits of Cash Credit.

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
NACL Industries Ltd	Full	Same line of business, common promoter 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	
NACL Spec-Chem Ltd	Full	
Nagarjuna Agrichem (Australia) Pty. Ltd	Full	
NACL Multichem Pvt Ltd	Full	

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	790.0	CRISIL BBB-/Negative / CRISIL A3		--	26-08-24	CRISIL BBB+/Stable / CRISIL A2	07-08-23	CRISIL A/Negative / CRISIL A1	08-08-22	CRISIL A1 / CRISIL A/Stable	--
			--		--	23-07-24	CRISIL A2+ / CRISIL A-/Negative	27-07-23	CRISIL A1 / CRISIL A/Stable		--	--
			--		--	02-05-24	CRISIL A2+ / CRISIL A-/Stable		--		--	--
			--		--	02-02-24	CRISIL A2+ / CRISIL A-/Stable		--		--	--
Non-Fund Based Facilities	ST	125.0	CRISIL A3		--	26-08-24	CRISIL A2	07-08-23	CRISIL A1	08-08-22	CRISIL A1	--
			--		--	23-07-24	CRISIL A2+	27-07-23	CRISIL A1		--	--
			--		--	02-05-24	CRISIL A2+		--		--	--
			--		--	02-02-24	CRISIL A2+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{&}	35	SVC Co-Operative Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	125	HDFC Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	30	SBM Bank (India) Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	34	Shinhan Bank	CRISIL BBB-/Negative
Cash Credit ^{&}	26.32	Kotak Mahindra Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	11	IndusInd Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	75	Axis Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	33.68	Kotak Mahindra Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	35	YES Bank Limited	CRISIL BBB-/Negative
Cash Credit ^{&}	55	RBL Bank Limited	CRISIL BBB-/Negative
Letter of Credit	30	SBM Bank (India) Limited	CRISIL A3
Letter of Credit	20	Axis Bank Limited	CRISIL A3
Letter of Credit	30	YES Bank Limited	CRISIL A3
Letter of Credit	45	IndusInd Bank Limited	CRISIL A3
Long Term Loan	13.13	Bajaj Finance Limited	CRISIL BBB-/Negative
Long Term Loan	40	Bajaj Finance Limited	CRISIL BBB-/Negative
Long Term Loan	28.85	RBL Bank Limited	CRISIL BBB-/Negative
Long Term Loan	19.34	RBL Bank Limited	CRISIL BBB-/Negative
Long Term Loan	19.4	Doha Bank	CRISIL BBB-/Negative
Long Term Loan	11.66	RBL Bank Limited	CRISIL BBB-/Negative
Proposed Working Capital Facility	45	Not Applicable	CRISIL A3

Proposed Working Capital Facility	152.62	Not Applicable	CRISIL A3
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& - Working capital demand loan and Pre&post shipment Credit are sublimits of Cash Credit.

Criteria Details

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

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Rating Rationale

January 09, 2025 | Mumbai

NACL Spec-Chem Limited

Ratings downgraded to 'CRISIL BB+/Negative/CRISIL A4+'

Rating Action

Total Bank Loan Facilities Rated	Rs.175 Crore
Long Term Rating	CRISIL BB+/Negative (Downgraded from 'CRISIL BBB/Stable')
Short Term Rating	CRISIL A4+ (Downgraded from 'CRISIL A3+')

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 downgraded its ratings on the bank facilities of NACL Spec-Chem Ltd (NSPL) to '**CRISIL BB+/Negative/CRISIL A4+**' from '**CRISIL BBB/Stable/CRISIL A3+**'

The rating has been downgraded and outlook is revised on account of a similar rating action on the parent, NACL Industries Ltd (NACL).

The ratings continue to reflect the extensive experience of the promoter in the agrochemicals industry and the strong support from the parent, NACL. These strengths are partially offset by average business and financial risk profiles and exposure to intense competition, regulatory changes and seasonality in the sector.

Analytical Approach

CRISIL Ratings has applied its parent notch-up criteria to factor in the support received from the parent, NACL.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoter:** Supported by an experienced management team, NACL group has built a strong three-decade-long market presence in the agrochemicals segment. The customers are diversified across geographies and include established players in India and export markets. The group sells a wide range of insecticides, fungicides, herbicides and plant growth regulators. The ability to develop products to meet upcoming demand could enhance growth over the medium term. Expertise of the promoter, her strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business.
- **Strong support from parent:** NSCL is a fully owned subsidiary of NACL. The company benefits from financial, operational and managerial support from the parent. The NACL group has extended support to NSCL by enabling them to raise need-based funds through term debt. NACL has also given corporate guarantee to the debt facilities availed by NSCL.

Weaknesses:

- **Average business performance:** Business performance remained average, reflected in revenue of Rs 178.48 crore and operating margin of 6.2% in fiscal 2024. Revenue is expected to around Rs. 200 crore in fiscal 2025, backed by better prices, improved capacity utilisation and introduction of new products. The operating margin is projected at above 12% over the medium term.
- **Weak financial risk profile:** NSCL has moderate financial risk profile, with moderately leveraged capital structure on account of debt-funded projects 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 funds in the form of compulsory convertible debentures, 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 numerous 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: Stretched

Bank limit utilisation was moderate at 86% for the 12 months through October 2024. Cash accrual is expected at Rs 10 crore against yearly debt obligation of Rs 13-14 crore in fiscal 2025. Need-based funding support by the parent and efficient working capital management will remain key towards timely servicing of debt.

Outlook: Negative

The negative outlook reflects the revision in the outlook of the parent company, NACL.

Rating sensitivity factors

Upward factors

- Improvement in liquidity profile with NCA vs RO higher than 1.2 times
- Improvement in the financial risk profile
- Upgrade in credit rating of the parent.

Downward factors

- Lower-than-expected revenue or profitability below 10%, resulting in cash accrual less than Rs. 8 crores.
- Any further stretch in liquidity profile.
- Any significant change in strategy of the parent, which could impact the business risk profile of NSCL, or downgrade in the credit rating of the parent

About the Company

NSCL was incorporated in April 2020. It is a part of the NACL group and a wholly owned subsidiary of NACL. The company is set to manufacture agrochemical technical and intermediate for domestic as well as export markets with an installed capacity of 6,000 tonne per annum. Its facility is at Dahej Industrial Zone in Gujarat. Ms K Lakshmi Raju is the promoter.

About the parent

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

Key Financial Indicators

As on/for the period ended March 31		2024	2023
Operating income	Rs crore	178.79	16.22
Reported profit after tax (PAT)	Rs crore	-12.43	-7.54
PAT margin	%	-6.95	-46.46
Adjusted debt/adjusted networth	Times	1.87	1.64
Interest coverage	Times	0.74	0.23

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.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
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NA	Cash Credit*	NA	NA	NA	30.00	NA	CRISIL BB+/Negative
NA	Letter of Credit	NA	NA	NA	20.00	NA	CRISIL A4+
NA	Proposed Working Capital Facility	NA	NA	NA	2.86	NA	CRISIL BB+/Negative
NA	Term Loan	NA	NA	31-Mar-28	32.36	NA	CRISIL BB+/Negative
NA	Term Loan	NA	NA	31-Mar-28	89.78	NA	CRISIL BB+/Negative

* WCDL and Pre&post shipment Credit are sublimits of CC

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Fund Based Facilities	LT	155.0	CRISIL BB+/Negative	--	--	26-08-24	CRISIL BBB/Stable	07-08-23	CRISIL A-/Negative	03-10-22	CRISIL BBB+/Stable	--
			--	--	--	23-07-24	CRISIL BBB+/Negative	27-07-23	CRISIL A-/Stable	--	--	
			--	--	--	02-02-24	CRISIL BBB+/Stable	--	--	--	--	
Non-Fund Based Facilities	ST	20.0	CRISIL A4+	--	--	26-08-24	CRISIL A3+	07-08-23	CRISIL A2+	--	--	--
			--	--	--	23-07-24	CRISIL A2	27-07-23	CRISIL A2+	--	--	
			--	--	--	02-02-24	CRISIL A2	--	--	--	--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit&	20	HDFC Bank Limited	CRISIL BB+/Negative
Cash Credit&	10	Axis Bank Limited	CRISIL BB+/Negative
Letter of Credit	20	Axis Bank Limited	CRISIL A4+
Proposed Working Capital Facility	2.86	Not Applicable	CRISIL BB+/Negative
Term Loan	32.36	Axis Bank Limited	CRISIL BB+/Negative
Term Loan	89.78	HDFC Bank Limited	CRISIL BB+/Negative

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

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
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for rating short term debt

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