



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Fertilizernagar – 391 750. Vadodara, Gujarat, INDIA.

CIN : L99999GJ1962PLC001121

NO.SEC/SE/REG-30/2023

26th December, 2023

The Corporate Relationship Department BSE Limited 1st Floor, New Trading Ring Rotunda Bldg., P.J.Towers, Dalal Street Fort, MUMBAI - 400 001 SCRIP CODE: 500690	The Manager, Listing Department National Stock Exchange of India Ltd. 'Exchange Plaza', C/1, Block G Bandra-Kurla Complex Bandra (East), MUMBAI - 400 051 SYMBOL: GSFC
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Dear Sir / Madam,

Sub.: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Credit Ratings

This is to inform that India Ratings and Research Pvt Ltd, vide communication dated 22nd December, 2023 has reviewed and reaffirmed the following rating:

Instrument Type	Size of Issue (INR million)	Rating/Outlook	Rating Action
Fund-based working capital limits	INR3,000	IND AA+/Stable/IND A1+	Affirmed
Non-fund-based working capital limits	INR10,000	IND AA+/Stable/IND A1+	Affirmed
Short-term debt programme	INR9,650	IND A1+	Affirmed
Commercial paper (CP)	INR10,000	IND A1+	Affirmed

A copy of press release issued by India Ratings and Research Pvt. Ltd. is enclosed.

You are requested to kindly take the above information on record.

Thanking you,

Yours faithfully,

For Gujarat State Fertilizers & Chemicals Ltd.,

Nidhi Pillai

Company Secretary & Vice President (Legal)

Membership No.: A15142

E-mail : investors@gsfcltd.com

Encl.: a/a

Ph. : (O) +91-265-2242451, 2242651, 2242751, 2242641

Fax : +91-265-2240966 - 2240119 • Email : ho@gsfcltd.com • Website : www.gsfclimited.com

ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company



India Ratings Affirms Gujarat State Fertilisers & Chemicals' Bank facilities at 'IND AA+' / Stable / 'IND A1+' & its CP at 'IND A1+'

Dec 22, 2023 | Fertilizers

India Ratings and Research (Ind-Ra) has taken the following rating actions on Gujarat State Fertilisers & Chemicals Limited's (GSFC) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR3,000	IND AA+/Stable/IND A1+	Affirmed
Non-fund-based working capital limits	-	-	-	INR10,000	IND AA+/Stable/IND A1+	Affirmed
Short-term debt programme	-	-	-	INR9,650	IND A1+	Affirmed
Commercial paper (CP)	-	-	7-365 days	INR10,000	IND A1+	Affirmed

ANALYTICAL APPROACH: Ind-Ra continues to take a consolidated view of GSFC and its subsidiaries - GSFC Agrotech Limited (100% stake), Gujarat Port & Logistics Company Ltd (60%) and Vadodara Jalsanchay Pvt. Ltd. (60%) - to arrive at the ratings, on account of interlinkages among them.

Key Rating Drivers

Established Business Profile and Integrated Operations: GSFC has an established position in the domestic fertilisers and chemicals segments. It has high operational and business synergies on account of its integrated manufacturing operations, diversified product offerings and market leadership position in the space for industrial chemical products, especially caprolactam (56% market share) and melamine (30% market share). However, the industrial segment continues to be exposed to volatility in benzene-caprolactam spreads.

Subsidy Collections Remain Healthy: The subsidy collection efficiency improved meaningfully in 1HFY24 to 136% (1HFY23: 50%) with subsidy outstanding of INR10.2billion (INR20.9 billion). However, the collection efficiency had declined to 84% during FY23 (FY22: 95%) with outstanding subsidy of INR17 billion (FY22: INR7.1 billion). GSFC's credit profile will remain dependent on the receipt of subsidy from the government. Ind-Ra expects the total fertiliser subsidy requirement of INR2,000 billion for FY24, higher than the budgeted estimate of INR1,750 billion (FY23: INR2,500 billion), leading to an increase in the outstanding subsidy receivables in case of no additional allocation by the government during FY24.

Industrial Segment Profitability Impacted in FY23 & 1HFY24: The profitability of the industrial segment remained muted till 1HFY24, given the benign caprolactam benzene spreads and inventory losses. The profitability on nylon and melamine also remained moderate. As a result, the segment EBITDA fell to INR0.9billion in FY23 (FY22: INR6.1billion). During 1HFY24, the segment reported EBIT losses of INR0.25 billion (1HFY23: loss of INR0.47 billion, FY23: INR52 million, FY22: INR5,237 million). Ind-Ra expects the industrial segment's profitability to remain muted for FY24 and start picking up from 2HFY25. The segment is likely to revert to the long-term average profitability of INR20,000/t-INR25,000/t (FY23: INR7,000/t, FY22: INR 4,4500/t) in medium term. The caprolactam-benzene spread declined to USD673/t in 2QFY24 from USD863/t in 2QFY23.

Fertiliser Profitability to be Impacted during 2HFY24: The decline in subsidy rates for 1HFY24 and 2HFY24 has been driven by a moderation in the Nutrient Based Subsidy (NBS) rates. However, the fall in NBS rates in 2HFY24 have been fairly steep with the rates of nitrogen (N), phosphorus (P), potassium (K), sulphur (S) declining by about 40% yoy to INR47.02/kg, 50% yoy to INR20.82/kg, 85% yoy to INR2.38/kg and 32% yoy to INR1.89/kg, respectively. The sharp reduction in the rate of N and S are likely to impact the profitability of ammonium sulphate and ammonium phosphate sulphate as these grades of NPK have the highest share of N and S. Although the price of key raw materials has declined, the reduction in the subsidy rates has been higher. The fertiliser segment reported an EBITDA of INR15.5 billion during FY23 (FY22: INR7.8 billion) with an EBIT of INR3.55 billion in 1HFY24. Ind-Ra opines the profitability in 2HFY24 will be benign and closer to the long-term average profitability of the segment of INR2,500-3,500/t.

Continued Strong Credit Metrics in FY23; Leverage Could Increase in FY24: GSFC's consolidated credit metrics remained strong in FY23, with the decrease in the subsidy receivables, further led by strong EBITDA generation and internal accruals. However, the net leverage (net debt/EBITDA) could increase in FY24, as the profitability in both the segments is likely to remain muted, given the low caprolactam-benzene spread and lower NBS rates in 2HFY24. The consolidated operational EBITDA declined to INR3.60 billion in 1HFY24 (1HFY23: INR9.1 billion, FY23: INR15.9 billion, FY22: INR13.2 billion). Ind-Ra expects GSFC's consolidated net adjusted leverage (adjusted for subsidy) to remain negative in FY24 (FY23: negative 2 x; FY22: negative 1.8x, FY21: negative 2.3x), led by the high cash balance and minimal debt on the books. Even without adjusting subsidy, the net leverage is expected to be negative in FY24 (FY23: negative 0.9x; FY22: negative 1.2x, FY21: negative 1.4x). The consolidated interest coverage (EBITDA/interest cost) is likely to remain strong at over 50x in FY24 (FY23: 158x; FY22: 134x, FY21: 13.3x).

Liquidity Indicator - Adequate: GSFC has access to INR3 billion of fund-based limits and INR30 billion of non-fund-based limits, the average utilisation of which was nil and 32%, respectively, over the 12 months ended October 2023. Furthermore, the company had high unencumbered cash balances of INR24.18 billion at 1HFYE24 (FYE23: INR14.4 billion, FYE22: INR16.5 billion; FYE21: INR11 billion). It also had INR63.1 billion of long-term investments, including INR53.3 billion in quoted equity securities at FYE23 (FYE22: INR63 billion). GSFC does not have any long-term debt.

Modest Capex Plans: The company incurred capex of INR1.3 billion in 1HFY24 (FY23: INR1.4 billion, FY22: INR948 million, FY21: INR884 million), mainly for the operations and maintenance activities of its plants and partially towards ammonium sulphate expansion, 15MW solar project, urea revamping project and hydroxylamine crystal project. The total outlay for the projects is INR7.74 billion phased during FY24-FY25, which the management expects to be met through internal accruals. Ind-Ra expects the credit metrics to remain comfortable, despite the planned capex as the capex outlay is moderate; however, a higher-than-expected debt-funded capex could impact the credit metrics.

Rating Sensitivities

Positive: A sustained improvement in the profitability in both fertilisers and industrial products segments, coupled with a reduction in the borrowings, and favourable structural changes in the urea subsidy policy, leading to the timely receipt of subsidy receivables, resulting in a maintenance of the net adjusted leverage and the interest coverage, on a sustained and consolidated basis, could result in a positive rating action.

Negative: A sustained decline in the operating performance and/or significant delays in subsidy reimbursements, any significant debt-led capex or an increase in the adjusted debt for providing financial support to associate companies, leading to the net adjusted leverage exceeding 1.5x and/or the interest coverage reducing below 3.0x, on a consolidated and sustained basis, will be negative for the ratings.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on GSFC, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

Incorporated in 1962, GSFC is Gujarat public sector undertaking with presence in the space for fertilisers and industrial products. Gujarat State Investments Limited and institutional investors (domestic and foreign) hold about 38% and 23% in GSFC, respectively, followed by non-institutional investors (about 39%) as of September 2023. GSFC has four manufacturing facilities across Gujarat.

FINANCIAL SUMMARY - CONSOLIDATED

Particulars	1HFY24	FY23	FY22
Revenue (INR billion)	51.81	113.7	90.8
EBITDA (INR billion)	3.60	15.9	13.2
EBITDA margin (%)	6.94	14	14.5
Gross interest expense (INR billion)	0.03	0.15	0.09
Interest coverage ratio (x)	105.8	158	134
Source: Ind-Ra; GSFC			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook			
				20 October 2023	23 December 2022	24 December 2021	2
Issuer rating	Long term	-	-	WD	IND AA+/Stable	IND AA+/Stable	IN

Fund-based working capital limit	Long-term/Short-term	INR3,000	IND AA+/Stable/IND A1+	-	IND AA+/Stable/IND A1+	IND AA+/Stable/IND A1+	A
Non-fund-based working capital limit	Long-term/Short-term	INR10,000	IND AA+/Stable/IND A1+	-	IND AA+/Stable/IND A1+	IND AA+/Stable/IND A1+	A
CP	Short-term	INR10,000	IND A1+	-	IND A1+	IND A1+	
Short-term debt programme	Short-term	INR9,650	IND A1+	-	IND A1+	IND A1+	

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Instrument complexity
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Short-term debt programme	Low
CP	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Rachit Gupta

Analyst

India Ratings and Research Pvt Ltd

DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002

+91 124 6687245

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Bhanu Patni

Associate Director

0124 6687276

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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