



**Gujarat Narmada Valley
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903



(An ISO 14001 & ISO 45001 Company)

P.O. Narmadanagar - 392 015, Dist. Bharuch, Gujarat, India
Ph (02642) 247001, 247002
Websites www.gnfc.in

NO. SEC/BD/SE/Credit Rating
August 05, 2021

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Dy General Manager
BSE Ltd.
Corporate Relationship Dept
1st Floor, New Trading Ring,
Rotunda Bldg
PJ Towers, Dalal Street, Fort
Mumbai-400 001
Scrip Code: "500670"

The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza,
C-1, Block - "G",
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol: "GNFC"

Sub. : Intimation under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 – Credit Rating.

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, this is to inform you that Brickwork Ratings (BWR) – the Credit Rating Agency, has rated the company's instruments as follows:

Nature of Instrument	Rating
Fund Based	BWR AA+ / Stable Assignment
Non-Fund Based	BWR A1+ / Assignment

Please find enclosed herewith the Credit Rating Letter received from Brickwork Ratings.

We request you to kindly take note of the above.

Thanking you,

Yours faithfully,
For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD.,

CS A C SHAH

COMPANY SECRETARY & GM (LEGAL)

RATING RATIONALE

02Aug2021



Gujarat Narmada Valley Fertilizers & Chemicals Ltd.

Brickwork Ratings assigns the ratings to the Bank Loan Facilities of Rs. 2900.00 Crs of Gujarat Narmada Valley Fertilizers & Chemicals Ltd

Particulars

Facilities**	Amount(Rs.Crs.)	Tenure	Rating#
Fund Based	2000.00	Long Term	BWR AA + /Stable Assignment
Non Fund Based	900.00	Short Term	BWR A1 + Assignment
Grand Total	2900.00	(Rupees Two Thousand Nine Hundred Zero Crores Only)	

#Please refer to BWR website www.brickworkratings.com (<https://www.brickworkratings.com>) for definition of the ratings

**Details of Bank Loan facilities, consolidation or instruments are provided in Annexure

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned BWR AA+/Stable/A1+ to the bank loan facilities of Gujarat Narmada Valley Fertilizers & Chemicals Ltd (GNFC or the Company).

The ratings derive comfort from the demonstrated track record of the company in both fertilisers and chemicals businesses, diversified product profile with the company being the sole/largest manufacturer of key chemicals such as Toluene Di-Isocyanate (TDI), aniline and acetic acid, presence in multiple states and strong brand recall in these areas, strong financial risk profile coupled with high financial flexibility on account of absence of any long term debt, negligible utilisation of working capital limits and generation of substantial cash accruals and realisation of significant subsidy receivables under the Atmanirbhar Bharat scheme bringing down the overall receivables level.

The ratings however, remain constrained on account of the company's exposure to regulatory risks, fertilisers being a highly regulated sector and susceptibility of the profitability margins to the volatility associated with the chemicals business arising out of movements in fuel prices and exchange rate.

The outlook has been assigned as Stable as the company's financial risk profile is expected to remain healthy on account of the company's strong operational efficiencies, its market position and limited reliance on external funding to manage operations.

KEY RATING DRIVERS

Credit Strengths:

- **Demonstrated Track Record of Operations and Market Position :**

GNFC has a demonstrated track record of operations in the both fertilisers and chemicals segments. The company manufactures both urea and nitrophosphatic fertiliser and sells its products under the brand name 'Narmada' with a strong recall in multiple states. GNFC is also the market leader for various chemicals and is the sole/largest manufacturer of chemicals such as TDI, aniline and acetic acid in the country giving it an edge over the other players. The company has also been undertaking regular capex to enhance its capacities and revamp its plants for better performance.

- **Presence in Multiple States :**

GNFC sells its products in multiple states such as Gujarat, Madhya Pradesh, Uttar Pradesh, Rajasthan, Punjab, Haryana and Maharashtra. Nearly 65% of the company's revenue in the fertilisers segment come from Gujarat through a network of government institutions and cooperatives and the balance comes from the remaining states through a network dominated by private dealers.

- **Diversified Product Profile :**

The company has a diversified product profile under both fertilisers and chemicals segments that has helped the company in dealing with price volatility over the years leading to sustained profitability indicators. The company also keeps on adding capacities in line with the market demand.

- **Strong Financial Profile :**

The company's financial risk profile continues to remain strong with the absence of long term debt, healthy networth and lower utilisation of the working capital limits. The profitability indicators of the company have also shown considerable improvement during FY21 with the EBITDA margin improving from 10.50% in FY20 to 19.56% in FY21. Net Margin has also improved from 9.66% in FY20 to 13.44% in FY21. The company's gearing has remained less than 0.20x in the past three years and the coverage indicators have also remained exceptionally high due to the absence of long term debt and related financial costs in the books. On account of the negligible debt in the books, the financial flexibility of the company also remains high.

Credit Risks:

- **Volatility Associated with the Chemicals Business :**

The company is dependent on the chemical business for its profitability and the same is exposed to volatility on account of movements in fuel prices and movements in exchange rates. As natural gas is a key component in the manufacturing process, any adverse change in its prices affects the prices of the products manufactured by the company. Additionally, as all the products are import substitutes, the pricing is based on the import parity approach and is thus, linked to the exchange rate movements. Nonetheless, despite all the fluctuations, GNFC has been able to maintain profitable operations due to the benefit of diversification that it derives from its multiple product offerings.

- **Exposure to Regulatory Risk :**

The fertilisers is a highly regulated business under which movement of the products and their prices, both are controlled by the central government. The manufacturers are compensated by way of a subsidy however, it is mandatory to achieve the energy efficiency norms in order to claim full recovery of costs. Going forward, if there are any adverse changes in the regulations, the company will also be affected negatively.

ANALYTICAL APPROACH - Standalone

BWR has analysed both the standalone and consolidated financial statements of the company while arriving at the rating. However, as GNFC is the only contributing entity in the group, reliance is more on the standalone statements.

RATING SENSITIVITIES

Positive: The rating can be revised upwards if the company reports stable profit margins in the fertilizers segment continuously for a period of two years and the receivables are brought down to the levels of less than 45 days.

Negative: The rating can be revised downwards if the prices of the products deteriorate by more than 25% and the company misses the energy efficiency targets to claim full subsidy for the fertilizers segment for a period of two years.

LIQUIDITY INDICATORS - Superior or Strong

The liquidity position of the company is superior with the absence of long term debt and generation of substantial cash accruals every year on the back of profitable operations of the company. GNFC has sanctioned fund based working capital limits of Rs. 1500 Crs which largely remained unutilised. The company also reported healthy cash balances of Rs. 1450.73 Crs as on 31 March 2021 providing adequate liquidity backup.

ABOUT THE ENTITY

Gujarat Narmada Valley Fertilizers & Chemicals Ltd (GNFC) was incorporated in 1976 by Government of Gujarat (GoG) and Gujarat State Fertilizers and Chemicals Limited. The shareholding of Government of Gujarat was later on transferred to Gujarat State Investments Limited, the investments arm of GoG. GNFC is a manufacturer and trader of fertilizers and industrial chemicals covering a wide range of products. Other than that, the company also offers various IT solutions and services.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	Rs.Crs.	5128.69	5162.42
EBITDA	Rs.Crs.	1003.33	541.86
PAT	Rs.Crs.	689.21	498.85
Tangible Net Worth	Rs.Crs.	5962.57	5200.02
Total Debt/Tangible Net Worth	Times	0.00	0.17
Current Ratio	Times	3.57	2.03

KEY FINANCIAL INDICATORS (Consolidated)

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
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Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	Rs.Crs.	5128.69	5162.42
EBITDA	Rs.Crs.	1003.33	541.91
PAT	Rs.Crs.	696.95	508.01
Tangible Net Worth	Rs.Crs.	6047.10	5276.81
Total Debt/Tangible Net Worth	Times	0.00	0.16
Current Ratio	Times	3.57	2.03

KEY COVENANTS OF THE FACILITY RATED

NA

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY

NA

ANY OTHER INFORMATION

NA

RATING HISTORY FOR LAST THREE YEARS (including withdrawal and suspended)

Facilities		Current Rating (2021)		2021 (History)		2020		2019		2018	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	2000.00	BWR AA+/Stable (Assignment)	NA	NA	NA	NA	NA	NA	NA	NA
Non Fund Based	ST	900.00	BWR A1+ (Assignment)	NA	NA	NA	NA	NA	NA	NA	NA
Grand Total		2900.00	(Rupees Two Thousand Nine Hundred Zero Crores Only)								

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) (<https://www.brickworkratings.com/download/ComplexityLevels.pdf>). Investors queries can be sent to info@brickworkratings.com (<mailto:info@brickworkratings.com>).

Hyperlink/Reference to applicable Criteria

- [General Criteria \(https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf\)](https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf)
- [Approach to Financial Ratios \(https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf\)](https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf)
- [Manufacturing Companies \(https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf\)](https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)

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