



नेशनल फर्टिलाइज़र्स लिमिटेड

(भारत सरकार का उपक्रम)

कॉरपोरेट कार्यालय : ए-11, सेक्टर-24, नोएडा - 201301

जिला गौतम बुद्ध नगर (उ.प्र.),

दूरभाष : 0120-2412294, 2412445, फ़ैक्स : 0120-2412397



NATIONAL FERTILIZERS LIMITED

(A Govt. Of India Undertaking)

Corporate Office : A-11, Sector-24, Noida-201301,

Distt. Gautam Budh Nagar (U.P.)

Ph.: 0120-2412294, 2412445, Fax : 0120-2412397

Ref No. NFL/SEC/SE/1316

Dated: 16.04.2024

National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E), Mumbai-400051 NSE Symbol- NFL	BSE Limited Corporate Relationship Department, 1st Floor, New Trading Wing, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 BSE Scrip Code -523630
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Sub: Intimation of Credit Rating.

Dear Sir,

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015, we hereby inform that India Ratings & Research Pvt. Limited, has assigned the following ratings to the Company (copy attached):

Instrument Type	Rating Limit	Rating Outlook	Rating Action
	(in million)		
Commercial Paper	INR 40,000	IND A1+	Affirmed
Fund-based limit	INR 90,000	IND AA/Stable/INDA1+	Affirmed
Non-fund based limit	INR 96,000	IND A1+	Affirmed

This is for your information and record.

Thanking You,

Yours faithfully,
For National Fertilizers Limited

(Ashok Jha)
Company Secretary

Encl: As above

Correction: India Ratings Affirms National Fertilizer's Bank Loans at 'IND AA'/Stable and CP at 'IND A1+'

Apr 16, 2024 | Fertilizers

This announcement rectifies the version published on 28 March 2024 to correct the ratings of the fund-based and non-fund-based limits in the primary table (Details of Instruments). The amended version is as follows:

India Ratings and Research (Ind-Ra) has affirmed National Fertilizers Limited's (NFL) debt instruments' ratings as follows:

Instrument Type	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Commercial paper	-	-	7-365 days	INR40,000	IND A1+	Affirmed
Fund-based limit	-	-	-	INR90,000	IND AA/Stable/ IND A1+	Affirmed
Non-fund-based limit	-	-	-	INR96,000	IND A1+	Affirmed

ANALYTICAL APPROACH

Ind-Ra continues to take a bottom-up approach, factoring in the consolidated profile of NFL and its joint ventures (JVs) - Urvarak Videsh Limited and Ramagundam Fertilisers and Chemicals Limited (RFCL, 'IND A'/Stable) - and has also factored in the availability of support from the government of India (GoI), given the moderate-to-strong linkages.

DETAILED RATIONALE OF THE RATING ACTION

The affirmation factors in the continued strength of NFL's business profile, as reflected through its market position in northern India, its healthy market share in the urea segment, and the portfolio achieved by the company through trading of fertilisers, which has enabled it to emerge as a complete one-stop fertiliser supplier for its consumers. Furthermore, the ratings reflect NFL being strategically important for the GoI to meet India's domestic needs for urea. NFL continues to be a dominant urea manufacturer in India. The ratings are constrained by the volatility in the gas prices for urea manufacturing. In addition, the fertiliser trading segment is highly dependent on the subsidy prices fixed by the GoI.

LIST OF KEY RATING DRIVERS:

Strengths

- Strong business profile with leading market position
- Continued government support
- Reduced subsidy burden due to fall in input costs
- NFL's credit metrics to remain stable

Weaknesses

- EBITDA to be driven by industrial segment
- Performance of urea segment dependent on gas prices

Key Rating Drivers

Strong Business Profile, with Leading Market Position: NFL has a strong market position in northern India, and healthy market share in the urea segment. Furthermore, the portfolio achieved by the company through trading of fertilisers has enabled it to emerge as a complete one-stop fertiliser supplier for its consumers. NFL continues to be a dominant urea manufacturer in India. It is the second-largest urea manufacturer in India, with a 13% market share at FYE23. It operates five urea plants: one each in Panipat (0.51 million metric tonnes (mmt)), Bathinda (0.51mmt), Nangal (0.48mmt) and two in Vijapur (0.86mmt each). The company produced 3.94mmt of urea (121% of reassessed capacity) in FY23.

Continued Government Support: While the Gol holds a 74.71% stake in NFL, it had earlier announced a 20% stake dilution by way of offer for sale. The same did not materialise then, and as per the management, there has not been any notable progress on this front. However, Ind-Ra expects the support from Gol to continue as the majority shareholder, given the sustained strategic importance of the company. The government had supported NFL earlier by providing capital grants for ammonia feedstock changeover project at the Nangal, Panipat and Bathinda units, with a grant of INR1.7 billion in FY21 as a return of own funds on past period subsidy on finalisation of ammonia feedstock changeover project cost by the department of fertilisers. NFL also received the government's support in its energy efficiency scheme capex, which was completed in FY22. The company received an extension of target energy norms to FY22 from FY19 for the Nangal, Bhatinda, Panipat units, and till FY24 for the Vijaypur-I unit. Ind-Ra expects the government to continue support NFL as it is a strategically-important entity in the fertiliser sector in terms of size, market share and distribution network.

Reduced Subsidy Burden due to Fall in Input Costs: The subsidy receivables decreased to INR30.3 billion at 9MFYE24 (FYE23: INR35.2 billion; FYE22: INR26.3 billion). For FY25, the government has budgeted total fertiliser subsidy of INR1.64 trillion (FY24: budgeted subsidy of INR1.75 trillion for the fertiliser sector). The subsidy has reduced in FY25 because of a drop in the international prices of nitrogen, phosphorus, and potassium fertilisers.

Credit Metrics to Remain Stable: Ind-Ra expects NFL's consolidated adjusted net leverage ((net leverage – subsidy receivable)/EBITDA) to remain below 1x in FY25. The net adjusted leverage rose slightly to 0.7x in 9MFY24 (FY23: 0.4x; FY22: 0.9x) due to an increase in short term working capital requirement. Despite lower finance costs, the interest coverage (EBITDA/ interest expenses) declined to 1.3x in 9MFY24 (FY23: 3.6x; FY22: 4.3x) because of reduced EBITDA. As of February 2024, NFL's gross debt stood at INR33.0 billion (FY23: INR 39.9 billion; FY22: INR 31.7 billion), consisting entirely of short-term loans to fund the net working capital, and subsidy receivables outstanding. Ind-Ra expects the gross debt and subsidy receivables to decrease in FY25, given the declining gas prices. The agency expects a timely intervention by the Gol to support the sector and keep the overall subsidy dues comfortable. Furthermore, the company has capex plans for the expansion of industrial products, and agrochemicals, and nano urea. The impact of the debt raised for the capex and higher working capital requirements would continue to be a key rating monitorable.

EBITDA to be driven by Industrial Segment: Ind-Ra expects NFL's consolidated EBITDA growth to be driven by the industrial segments over the medium term. NFL's consolidated revenue declined to INR182.8 billion during 9MFY24 (9MFY23: INR233.4 billion; FY23: INR296.2 billion; FY22: INR158.6 billion). The company reported consolidated EBITDA of only INR2.5 billion during 9MFY24 (9MFY23: INR14.5 billion; FY23: INR10.7 billion; FY22: INR5.9 billion), mainly because of the following factors: 1) reduction in gas prices, which impacted the EBITDA of the manufactured urea segment; 2) lower profitability in the traded fertiliser segment, led by the periodic decline in subsidy rates and its higher priced inventory. The own fertiliser division's (urea, bentonite sulphur and bio-fertiliser) EBIT fell to INR0.6 billion in 9MFY24 (9MFY23: INR8.3 billion; FY23:9.8 billion; FY22: loss of INR2.7 billion), because of a decrease in the prices of fertilisers. The urea production in 9MFY24 decreased by 6% yoy to 2.75mmt due to decreased production at Bathinda, Vijaypur - I and Vijaypur - II plants for repair and maintenance shutdown.

Cumulatively, NFL's trading segment incurred losses over FY23-FY24, on account of the mismatch in actual import

prices and the price realisation due to the fixing of subsidy rates for 1HFY24. In 9MFY24, the trading segment report a loss of INR0.8 billion at the EBIT level (FY23: loss of INR3.7 billion; FY22: INR3.7 billion). While overall traded fertiliser volumes increased to 2.6mmt in 9MFY24 (9MFY3: 2.2mmt; FY23: 2.7mmt), the trading segment's EBIT was impacted by the drop in subsidy rates to cover international market prices. NFL benefited from the increase in volume over FY22-FY23 as the company is one of the fertiliser marketing entities for importing urea on behalf of the government and also markets urea on behalf of RFCL. The EBIT from the other industrial products' segment decreased to INR1.0 billion during 9MFY24 (9MFY23: INR2.6 billion; FY23: INR3.6 billion; FY22: INR2.4 billion) due to the pressure on prices of industrial products. Ind-Ra expects the Gol to support NFL for the losses incurred by the company on imports of fertiliser on the Gol's request.

Performance of Urea Segment Dependent on Gas Prices: The urea segment's profitability is determined by gas cost and gas efficiency savings when compared to normative gas efficiency. During 9MFY24, the EBIT of the urea segment fell to INR0.55 billion (FY23: INR9.9 billion; FY22: loss of INR2.8 billion) due to gas price reduction. The pooled gas price reduced to USD17.00 during 9MFY24 (FY23: USD 23/mmbtu; FY22: USD15/mmBtu). NFL's net efficiency saving during 9MFY24 stood at 0.06Gcal/tonne (FY23: 0.11 Gcal/tonne; FY22: negative 0.32gcal/tonne). During FY24, the gas efficiency norm for Vijaypur-I plant was increased to 5.783 gcal/tonne. Ind-Ra expects the company to operate the plants at equal/less-than-normal energy levels in the long term.

LIQUIDITY

Adequate: For FY25, Ind-Ra expects NFL to report higher cash flows due to better EBITDA, resulting from improved profitability in the traded fertiliser segment. NFL's cash and bank balances stood at INR1.03 billion at 9MFYE24 (FYE23: INR124.6 million; FYE22: INR258 million). The company has interchangeable fund-based and non-fund-based working capital limits worth INR200 billion, the utilisation of which remained comfortable at 35% over the 12 months ended February 2024. NFL has access to low-cost banking finance, commercial paper and inter-corporate deposits, due to its sovereign ownership.

NFL's cash flow from operations remained negative at INR3.3 billion in FY23 (FY22: negative INR8.2 billion)). The company continued to timely receive its subsidy bills in 9MFY24, with subsidy receivable outstanding of IN30.3 billion (FY23: INR35.2 billion; FY22: INR26.3 billion). In FY24, the management plans to incur capex of INR5 billion for setting up manufacturing facilities of agro-chemicals at its Bathinda unit, nano urea manufacturing plant, and commissioning three seed processing units in Bathinda, Panipat, and one in Indore. NFL had also been nominated in 2018 as a JV partner for setting up a 1.27mmt per annum urea unit in Assam at the facility of Brahmaputra Valley Fertiliser Corporation Limited, with an equity contribution of 28%, entailing equity contribution of INR5 billion-6 billion. However, the same has been put on hold. The management does not expect any additional support from the Gol in the short- to-medium term. NFL did not declare any dividend in FY22 and FY23, owing to the capex programme; however, the cash flows would continue to be dependent on the dividend outgo.

Rating Sensitivities

Positive: Stable consumption of energy below the normative levels, along with an increase in the operating profitability and an improvement in the credit metrics, on a sustained basis, would be positive for the ratings.

Negative: The company operating above the normative energy efficiency norms, low operating profitability, debt-led capex or investments, leading to the net adjusted leverage (after adjusting the fertiliser subsidy) exceeding 1.5x, on a sustained basis, and/or weakening of support from the government, would 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 NFL, 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 1974, NFL is the second-largest urea manufacturer in India, with a 13% market share at FYE23. It operates five urea plants: one each in Panipat (0.51mmt), Bathinda (0.51mmt), Nangal (0.48mmt) and two in Vijapur (0.86mmt each). The company produced 3.94mmt of urea (121% of reassessed capacity) in FY23.

KEY FINANCIAL INDICATORS

Particulars	9MFY24	FY23	FY22
Revenue (INR billion)	183	296	159
EBITDA (INR billion)	2.5	10.7	5.8
Interest expenses (INR billion)	1.9	2.9	1.5
Interest coverage (x)	1.3	3.6	4.3
Net leverage (x)	12.9	3.7	5.4
Subsidy adjusted net leverage (x)	0.7	0.4	0.9

Source: NFL, Ind-Ra

Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	20 October 2023	30 March 2023	22 April 2022	23 April 2021	24 April 2020
Issuer rating	Long-Term	-	-	WD	IND AA/Stable	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable
Fund-based limit	Long-term/ Short-term	INR90,000	IND AA/Stable/ IND A1+	-	IND AA/Stable/ IND A1+	IND AA-/Stable/ IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+
Non-fund-based limit	Short-term	INR96,000	IND A1+	-	IND A1+	IND A1+	IND A1+	IND A1+
Commercial paper	Short-term	INR40,000	IND A1+	-	IND A1+	IND A1+	IND A1+	IND A1+

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low

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

APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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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.

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