

January 10, 2024

Nitrex Chemicals India Limited: Rating moved to Issuer Non-Cooperating category

Summary of rating action

| Instrument@ | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|--------------------------------------|-------------------------------------|---|
| Fund-based - Export bill discounting facility | 20.00 | 20.00 | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Fund-based – Overdraft^ | (6.50) | (6.50) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Fund-based – Short-term loan^ | (10.00) | (10.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Fund-based - Pre-shipment credit under export letter of credit^ | (20.00) | (20.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Fund-based - Pre-shipment credit under export order^ | (20.00) | (20.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Non-fund based - Import letter of credit – Secured^ | (15.00) | (15.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Non-fund based - Import letter of credit – Unsecured^ | (15.00) | (15.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Non-fund based - Bond and guarantee^ | (7.00) | (7.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Non-fund based - Financial guarantee^ | (15.00) | (15.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Fund-based - Credit bill negotiated^ | (15.00) | (15.00) | [ICRA]A2 ISSUER NOT COOPERATING*; rating moved to Issuer Not-Cooperating category |
| Total | 20.00 | 20.00 | |

*Issuer did not cooperate; based on best available information

^Sublimit of export bill discounting facility

@Instrument details are provided in Annexure-1

Rationale

ICRA has moved the ratings for the bank facilities of Nitrex Chemicals India Limited to the Issuer Not-Cooperating category. The rating is denoted as [ICRA]A2; ISSUER NOT COOPERATING.

The rating is based on limited cooperation from the entity since the time it was last rated in March 2023. As a part of its process and in accordance with its rating agreement with Nitrex Chemicals India Limited, ICRA has been sending repeated reminders to the entity for payment of surveillance fee that became due. Despite multiple requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite cooperation and in line with the aforesaid policy of ICRA, the rating has been moved to the Issuer Not-Cooperating category.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and, rating sensitivities : [Click here.](#)

ICRA is unable to provide the latest information because of non-cooperation by the entity.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Policy in respect of Non-cooperation by a rated entity Rating Methodology for Entities in the Chemical Industry |
| Parent/Group support | None |
| Consolidation/Standalone | The rating is based on the company's standalone financial profile |

About the company

NCIL was established on March 16, 2004 by ACTIS, a private equity organisation promoted by CDC PLC., UK, for taking over the nitrocellulose and trading business of ICI India Limited in a management buyout. As on date, the Lodha Group owns a 99.7% stake in the company through associate group companies, such as Nitrex Mauritius Limited, Sirius Financial Services Private Limited and Rasna Processors Private Limited. NCIL manufactures industrial grade nitrocellulose from wood pulp and bleached cotton linters with nitrogen content in the range of 10.7–12.2%.

Nitrocellulose, a film forming resin, is used in auto refinish paints, wood lacquers, printing inks, leather finishing lacquers, nail varnishes, and in other miscellaneous applications. It has two manufacturing units at Valsad, Gujarat (installed capacity of 9,360 MTPA), and Jhagadia, Gujarat (installed capacity of 7,200 MTPA). Its registered office is in New Delhi and its corporate office is in Ahmedabad (Gujarat).

Key Financial Indicators (audited)

| NCIL Standalone | FY2022 | FY2023 |
|--|--------|--------|
| Operating income | 329.3 | 456.6 |
| PAT | 16.2 | 31.2 |
| OPBDIT/OI | 7.4% | 9.6% |
| PAT/OI | 4.9% | 6.8% |
| Total outside liabilities/Tangible net worth (times) | 0.7 | 0.6 |
| Total debt/OPBDIT (times) | 0.2 | 0.16 |
| Interest coverage (times) | 53.9 | 81.12 |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

| Instrument | | Current Rating (FY2024) | | | Chronology of Rating History for the past 3 years | | | |
|------------|--|-------------------------|--------------------------------|---|--|----------------------------|----------------------------|----------------------------|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding as of March 31, 2023 (Rs. crore) | Date & Rating in | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
| | | | | | Jan 10, 2024 | Mar 20, 2023 | Dec 31, 2021 | Sep 7, 2020 |
| 1 | Export bill discounting facility | Short-term | 20.00 | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 2 | Overdraft* | Short-term | (6.50) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 3 | Short-term loan* | Short-term | (10.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 4 | Pre-shipment credit under export letter of credit* | Short-term | (20.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 5 | Pre-shipment credit under export order* | Short-term | (20.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 6 | Import letter of credit - Secured* | Short-term | (15.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 7 | Import letter of credit - unsecured* | Short-term | (15.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 8 | Bond and guarantee* | Short-term | (7.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 9 | Financial guarantee* | Short-term | (15.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |
| 10 | Credit bill negotiated* | Short-term | (15.00) | - | [ICRA]A2; ISSUER NOT COOPERATING | [ICRA]A2 | [ICRA]A2 | [ICRA]A3+ |

*Sublimit of export bill discounting facility

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|--|----------------------|
| Export bill discounting facility | Very Simple |
| Overdraft* | Simple |
| Short term loan* | Simple |
| Pre-shipment credit under export letter of credit* | Very Simple |
| Pre-shipment credit under export order* | Very Simple |
| Import letter of credit – Secured* | Very Simple |
| Import letter of credit – Unsecured | Very Simple |
| Bond and guarantee* | Simple |
| Financial guarantee* | Simple |
| Credit bill negotiated* | Very Simple |

*Sublimit of export bill discounting facility

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (RS Crore) | Current Rating and Outlook | | |
|---------|--|-----------------------------|-------------|---------------|-------------------------|----------------------------|--------|-----|
| NA | Export bill discounting facility | NA | NA | NA | 20.00 | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Overdraft* | NA | NA | NA | (6.50) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Short-term loan* | NA | NA | NA | (10.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Pre-shipment credit under export letter of credit* | NA | NA | NA | (20.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Pre-shipment credit under export order* | NA | NA | NA | (20.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Import letter of credit - Secured* | NA | NA | NA | (15.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Import letter of credit - Unsecured* | NA | NA | NA | (15.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Bond and guarantee* | NA | NA | NA | (7.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Financial guarantee* | NA | NA | NA | (15.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |
| NA | Credit bill negotiated* | NA | NA | NA | (15.00) | [ICRA]A2; COOPERATING | ISSUER | NOT |

Source: Company, *Sublimit of export bill discounting facility

Annexure-II: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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