

Zuari Agro Chemicals Limited

Instrument	Amount in Rs. Crore [^]	Rating Action
Long-term Fund-based Limits	1,500	[ICRA]BBB+ (Stable) outstanding
Short-term Non-fund Based Limits	2,700	[ICRA]A2+ outstanding
Unallocated Limits	15	[ICRA]BBB+ (Stable) / [ICRA]A2+ outstanding

ICRA has outstanding ratings of [ICRA]BBB+ (pronounced ICRA triple B plus) and [ICRA]A2+ (pronounced ICRA A two plus) for the Rs. 4,215.00 crore bank lines of Zuari Agro Chemicals Limited (ZACL).[†]

ICRA notes that the Board of Directors of Zuari Agro Chemicals Ltd, at its meeting held on December 29, 2015, approved the scheme of amalgamation of Zuari Fertilisers and Chemicals Limited (ZFCL) (rated [ICRA]BBB- and [ICRA]A3), Zuari Rotem Specialty Fertilisers Limited (ZRSFL) and Zuari Agri Sciences Limited (ZASL) with ZACL. The amalgamation shall be subject to the approval of the Scheme of Amalgamation by the High Court of Bombay at Goa. The appointed date of the amalgamation is April 01, 2015. As a consequence of amalgamation, there will be no change in the shareholding pattern of ZACL, given that all the transferor companies, ie, ZFCL, ZRSFL and ZASL are wholly-owned subsidiaries of ZACL. Further, upon the scheme becoming effective, the transferor companies i.e. ZFCL, ZRSFL and ZASL will be dissolved without winding up and the shares held by ZACL in the transferor Companies shall be extinguished. ICRA notes that all the transferor companies utilize the marketing and distribution network of ZACL and being a part of the same company would aid in streamlining of marketing operations besides rationalizing operational, administrative and overhead costs. ICRA believes that the amalgamation will not have a material impact on the merged entity as the transferor companies are small in comparison to the parent with more than 90% of the sales and net worth contributed by ZACL alone.

Company Profile

Zuari Agro Chemicals Limited (erstwhile Zuari Holdings Limited) constitutes the fertiliser operations of the Adventz Group following the demerger of Zuari Industries Limited (ZIL). It is also the holding company for the other agri-business operations of the Adventz Group. The group has interests in agri-inputs, engineering, infrastructure, real estate, consumer durables and services sectors. It was a part of the erstwhile K.K. Birla Group. In April 2011, the Bombay High Court (Goa bench) approved the demerger of ZIL's fertiliser business into Zuari Holdings Limited (later renamed as ZACL), while the residual entity ZIL (later renamed as Zuari Global Limited) retained the non-fertiliser business operations and investments. The demerger scheme was applicable w.e.f July 1, 2012.

The erstwhile ZIL was promoted in 1967 in financial and technical collaboration between the K.K. Birla Group and the U.S. Steel Corporation to manufacture urea, compound nitrogenous fertilisers and phosphates in Goa. In 1985, ZIL promoted Chambal Fertilisers & Chemicals Limited (CFCL) to produce urea using natural gas at Gadepan, Rajasthan. In 2002, ZIL acquired Paradeep Phosphates Ltd (PPL) - rated [ICRA]BBB+(Stable)/A2+ - through a JV company, as part of the disinvestment process of Gol. PPL manufactures DAP and NPK fertilisers, with its plant located at Paradeep, Orissa. While the equity shareholding of ZIL in PPL is now held by ZACL (~40% of entire shareholding of PPL through the JV company), the 13.3% shareholding of ZIL in CFCL continues to be held by ZGL.

ZACL's plant is located in Goa and comprises of a single stream ammonia plant of 0.22 million metric tonnes per annum (MMTPA) capacity, urea plant of 0.4 MMTPA capacity, complex (NPK) plant of 0.36 MMTPA capacity and DAP-cum-Complex plant of 0.36 MMTPA capacity, which is capable of manufacturing a range of complexes. ZACL completed its feedstock conversion project and is now using gas as a feedstock for manufacturing urea (it was earlier using naphtha). For complexes and DAP, it uses imported ammonia and phosphoric acid. As of end-September 2015, 73.8% of the

[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



shareholding of ZACL was held by the promoter group, while the rest is held by domestic and foreign institutional investors and public.

As per unaudited and provisional results for H1 2015-16, ZACL (standalone) recorded net profit of Rs. 5.16 crore on net sales of Rs. 2,882.47 crore as against a net loss of Rs 15.93 crore on net sales of Rs 2561.07 crore in H1 2014-15.

Zuari Fertilisers & Chemicals Limited

Zuari Fertilisers & Chemicals Limited (ZFCL) was incorporated in August 2009 with a view to set up a project to manufacture Single Super Phosphate (SSP). The company's plant is located at Mahad (Maharashtra) with a capacity to manufacture 2 lakh metric tonnes per annum (MTPA) of granulated and powdered SSP. The plant started commercial production in 2015. Rock phosphate for the project is imported, while sulphuric acid is procured from domestic sources. The product is sold through the marketing network of ZACL. Besides, ZFCL is also the holding company for the investment of the Adventz Group in Mangalore Chemicals & Fertilizers Limited (MCF) – the UB Group company, in which ZFCL has acquired the majority shareholding in May 2015 after an open offer. ZFCL holds a 53.03% stake in MCF and is part of the promoter group of MCF with the UB Group, which holds ~22.95% stake in MCF.

In 2014-15, the company did not report any revenues and reported a net loss of Rs. 23.8 crore against net loss of Rs. 7.59 crore on an operating income of Rs. 0.94 crore in 2013-14.

Zuari Rotem Specialty Fertilisers Limited

Zuari Rotem Specialty Fertilisers Limited (ZRSFL) was set up as a 50:50 joint venture of Zuari Agro Chemicals Limited (earlier Zuari Holdings Limited) with Rotem Amfert Negev Limited (RANL), Israel. The company was incorporated in 2007-08 to produce water soluble fertilisers (WSF). It began operations as a trader of WSFs, which it imported primarily from RANL, while the plant was being commissioned. Post commissioning of the plant in March 2010, the share of traded fertilisers in the company's revenues have declined. The company's plant is located in Baramati (Maharashtra) and has a capacity to produce 24,000 metric tonnes per annum (MTPA) of WSF (on a two-shift basis). The company primarily deals in three products: Poorna-19 (NPK 19:19:19), Atom (Mono-Ammonium Phosphate – NPK 12:61:0) and Boost (Mono-Potassium Phosphate – NPK 0:52:34), though it has more WSFs in its product profile.

In 2014-15, the company recorded a net profit of Rs. 1.44 crore on an operating income of Rs. 65.76 crore against a net loss of Rs. 3.71 crore on an operating income of Rs. 37.23 crore in 2013-14.

Zuari Agri Sciences Limited

Zuari Agri Sciences Limited (ZASL) was incorporated in 1995 and is engaged in the production and trading of seeds and agrochemicals i.e. insecticides, fungicides, herbicides and plant growth regulators. The company has technical collaborations with Institute of Field and Vegetable Crops, Serbia, International Crops Research Institute for the Semi-Arid Tropics, Hyderabad and Monsanto. ZASL has processing plants in Hyderabad and Chilmattur in Andhra Pradesh and research & testing facilities at Bangalore, Hyderabad and Aurangabad. Its products are sold under the brand name "Jai Kissan".

In 2014-15, the company recorded a net loss of Rs. 0.15 crore on an operating income of Rs. 49.17 crore against a net loss of Rs. 9.03 crore on an operating income of Rs. 45.78 crore in 2013-14.

January 2016



For further details, please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Registered Office

ICRA Limited

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office

Mr. Vivek Mathur

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai

Mr. L. Shivakumar

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata

Mr. Jayanta Roy

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai

Mr. Jayanta Chatterjee

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore

Bangalore

Mr. Jayanta Chatterjee

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad

Mr. L. Shivakumar

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune

Mr. L. Shivakumar

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad

Mr. Jayanta Chatterjee

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500