

February 23, 2021 ^{Revised}

NGL Fine-Chem Limited- Update on Entity

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based- Term Loans	15.30	15.30	[ICRA]BBB+(Stable)
Long-term Fund-based- Cash Credit	18.50	18.50	[ICRA]BBB+(Stable)
Short-term Non-fund Based- Letter of Credit	4.80	4.80	[ICRA]A2
Short-term Non-fund Based- PSR Limit	4.00	4.00	[ICRA]A2
Total	42.60	42.60	

*Instrument details are provided in Annexure-1

Rationale

On February 12, 2021, NGL Fine-Chem Limited (NGL) announced that one of its unit in Tarapur (Maharashtra) has received a notice from the Maharashtra Pollution Control Board (MPCB) directing the closure of operations at the factory premises. The notice mentions regarding the violation of the provisions of Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control Pollution), Act, 1981 and the Rules made thereunder.

The ratings remain unchanged at the earlier rating of [ICRA]BBB+(Stable/A2 as the contribution of the Tarapur unit to the company's total revenues is limited. Furthermore, the management informed that the manufacturing operations at the aforementioned plant have been carried out in compliance with the applicable laws and the company is in the process of providing a suitable response to the said notice.

The ratings reaffirmation continues to take into account the extensive experience of NGL's management in animal health active pharmaceutical ingredients (API) segment, its geographically diversified presence in both domestic and international markets, along with a well-established clientele. The ratings draw comfort from the company's healthy financial risk profile characterised by robust profitability metrics, healthy return indicators, coupled with a comfortable capital structure, and the consequent strong coverage indicators. The ratings, however, remain constrained by NGL's modest scale of operations and the high working capital intensity of business emanating from high inventory holding and relatively slow receivable cycle. The ratings remain constrained by the vulnerability of the company's profitability to volatility in raw material prices, foreign exchange rates and high product concentration risk, given its presence is limited to the animal API business.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that NGL will continue to benefit from its established relationships with a diversified customer base.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group Support	No
Consolidation/Standalone	Consolidated financials of NGL and its subsidiary Macrotech Polychem Private Limited

About the company

NGL is a veterinary pharmaceutical raw material manufacturer, and its products find usage in the animal health industry. The company was incorporated in 1981 by Mr. Narayan Lawande. The company is listed on the Bombay Stock Exchange, since 1994. NGL provides a range of products catering to the formulations for farm animals with Africa as its largest end-user market. It has a strong and growing international presence in Latin America, Asia and Europe. Its manufacturing facilities are located in Maharashtra at Pawane (Navi Mumbai) and Tarapur. The company's manufacturing facilities are good manufacturing practice (GMP)-certified from the Maharashtra State Food and Drug Administration (FDA).

NGL acquired 100% stake of Macrotech Polychem Private Limited (MPPL) in May 2019, making MPPL a wholly owned subsidiary of NGL. MPPL's plant is located at Tarapur, nearby to NGL's plant and is involved in the manufacturing pharmaceutical intermediates.

NGL (consolidated) reported a net profit of Rs. 8.34 crore on an OI of Rs. 151.69 crore in FY2020 compared to a net profit of Rs. 20.13 crore on an OI of Rs. 153.17 crore in the previous year. On a provisional basis, NGL reported a consolidated OI of Rs. 183.37 crore and a net profit of Rs. 42.88 crore in 9M FY2021.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 29, 2020 (Rs. crore)	Date & Rating in		Date & Rating in FY2020		Date & Rating in FY2019	Date & Rating in FY2018
					Feb 23, 2021	Oct 1, 2020	Jan 1, 2020	Apr 3, 2019	Jan 14, 2019	Sep 5, 2017
1	Term Loans	Long-Term	15.30	13.63*	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
2	Fund-based Cash Credit	Long-Term	18.50	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
3	Non-fund Based Letter of Credit	Short-Term	4.80	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A3+
4	Non-fund Based PSR Limit	Short-Term	4.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A3+

*Outstanding as on March 31, 2020

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term Term Loans	FY2017	9.60%	FY2023	15.30	[ICRA]BBB+(Stable)
NA	Long-term Fund-based Cash Credit	NA	NA	NA	18.50	[ICRA]BBB+(Stable)
NA	Short-term Non-fund Based Letter of Credit	NA	NA	NA	4.80	[ICRA]A2
NA	Short-term Non-fund Based PSR Limit	NA	NA	NA	4.00	[ICRA]A2

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Macrotech Polychem Private Limited	100.00%	Full Consolidation

Source: Company

Corrigendum

Document dated February 23, 2021 has been corrected with revisions as detailed below:

In 'summary of rating(s) outstanding' section on page 1 of the rationale the total amount rated has been corrected to Rs. 42.60 crore.

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