

March 16, 2021

## NGL Fine-Chem Limited: Update on entity

### Summary of rating outstanding(s)

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
<b>Total</b>	<b>42.60</b>	<b>42.60</b>	

### Rationale

On March 6, 2021 NGL Fine-Chem Limited (NGL) had announced that Maharashtra Pollution Control Board (MPCB) has issued a notice directing the closure of operations of its subsidiary: Macrotech Polychem Private Limited (MPPL) in Tarapur (Maharashtra) for alleged violation of the provisions of the Water (Prevention and Control of Pollution) Act, 1974 Air (Prevention and Control Pollution), Act, 1981 and the rules made thereunder.

Furthermore, on March 8, 2021 NGL has announced that MPCB has issued conditional restart directions of its Tarapur unit, under section 33A of the Prevention and Control of Pollution) Act, 1974 Air (Prevention and Control Pollution), Act, 1981 (for the notice dated February 12, 2021). ICRA in its press release dated February 23, 2021 had taken note of the closure of operations of NGL's unit in Tarapur. The press release can be accessed by clicking [here](#).

The ratings remain unchanged at [ICRA]BBB+(Stable)/[ICRA]A2 as the contribution of the MPPL's unit to the company's total revenues is not material. Furthermore, the management informed that the manufacturing operations at MPPL's 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. ICRA notes that the sales growth of NGL is robust in the current fiscal and the 9M FY2021 sales stood at Rs. 183.37 crore, along with improvement in its profitability. The closure of MPPL's operations will not have an impact on the credit profile of NGL Fine-Chem Limited, as the projected cash accruals will be sufficient to meet the debt repayment obligations.

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 its profitability to volatile 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 the key rating drivers and their description, liquidity position, rating sensitivities, key financial indicators: [Click here](#)

## Analytical approach

Analytical Approach	Comments
<b>Applicable Rating Methodologies</b>	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Pharmaceutical Industry</a>
<b>Parent/Group Support</b>	Not applicable.
<b>Consolidation/Standalone</b>	Consolidation

## 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 Navi Mumbai and Tarapur. NGL's manufacturing facilities are certified by the good manufacturing practice (GMP) 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 in Tarapur, near NGL's plant and is involved in manufacturing pharmaceutical intermediates.

On a consolidated basis, NGL reported a net profit of Rs. 8.34 crore on an operating income (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 the nine-month period that ended in December 31, 2020.

**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 three years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in			Date & Rating in FY2020		Date & Rating in FY2019	Date & Rating in FY2018	
					March 16, 2021	February 23, 2021	October 1, 2020	January 1, 2020	April 3, 2019	January 14, 2019	September 5, 2017	
1	Term loan	Long-term	15.30	13.60*	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB(Stable)
2	Cash Credit	Long-term	18.50	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB(Stable)
3	Letter of Credit	Short-term	4.80	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A3+
4	PSR Limit	Short-term	4.00	-	[ICRA]A2	[ICRA]A2	[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 [www.icra.in](http://www.icra.in)

### 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	Term loan	FY2017	9.60%	FY2023	15.30	[ICRA]BBB+(Stable)
NA	Cash Credit	-	-	-	18.50	[ICRA]BBB+(Stable)
NA	Letter of Credit	-	-	-	4.80	[ICRA]A2
NA	PSR Limit	-	-	-	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

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545 328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Gaurav Jain**

+91 20 6606 9922

[gaurav.jain@icraindia.com](mailto:gaurav.jain@icraindia.com)

**Srideep Datta**

+91 22 6114 3451

[srideep.datta@icraindia.com](mailto:srideep.datta@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



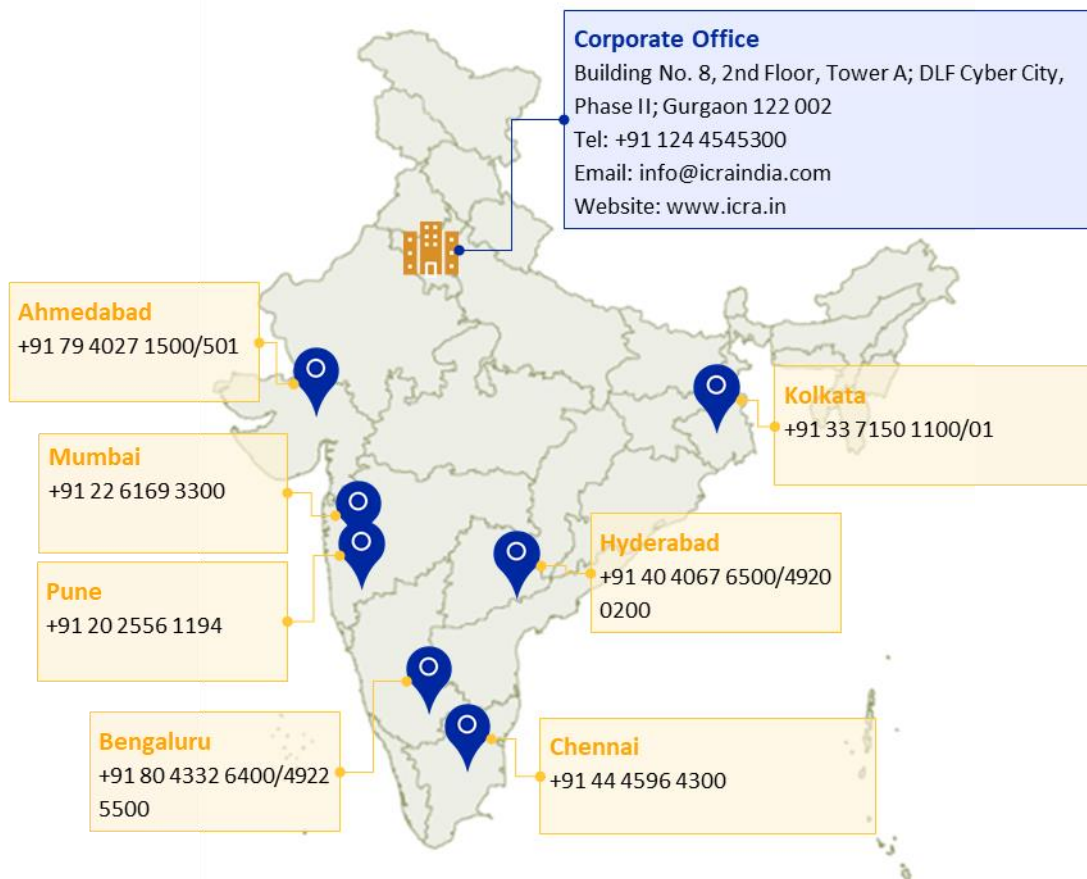
### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50



### Branches



© Copyright, 2021 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](http://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.