

September 05, 2017

## NGL Fine-Chem Limited

### Summary of rated instruments

Instruments	Amount Rated (in Rs. crore)	Rating Action
Cash Credit	8.00	[ICRA]BBB reaffirmed; Outlook revised to Stable from Positive
Term Loans	17.80	[ICRA]BBB reaffirmed; Outlook revised to Stable from Positive
Preshipment Credit	8.00	[ICRA]BBB reaffirmed; Outlook revised to Stable from Positive
Letter of Credit	4.80	[ICRA]A3+ reaffirmed
PSR Limit	4.00	[ICRA]A3+ reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BBB (pronounced ICRA triple B)<sup>1</sup> assigned to the Rs 8.00<sup>2</sup> crore cash credit, Rs 17.80 crore term loans and Rs 8.00 crore preshipment credit limits of NGL Fine-Chem Limited (NGL or the company). ICRA has also reaffirmed the short term rating of [ICRA]A3+ (pronounced ICRA A three plus) assigned to the Rs 4.80 crore letter of credit and Rs 4.00 crore PSR limit of NGL. The outlook on long term rating has been revised to Stable from Positive.

The revision in rating outlook factors in the moderation in performance of NGL in Q1FY2018, primarily in terms of profitability which reported a sharp decline compared to the same period last year (Q1FY2017) as well as sequentially (Q4FY2017), due to inability to adequately pass on the raw material price rise coupled with increase in overheads. As per the quarterly results announced on August 28, 2017, NGL reported operating income of Rs. 22.29 crore, depicting a decline of 13% on Y-o-Y basis. The operating margins also witnessed a sharp decline from 28.29% to 13.98% on Y-o-Y basis. Given the decline in top line in Q1FY2018, though moderate, the ability of the company to meet revenue expectations for FY2018 and report profitability levels in line with previous fiscal remains to be seen and will be a key rating sensitivity.

Nevertheless, the reaffirmation of the ratings continues to take into account the established track record of NGL in the manufacture of animal health Active Pharmaceutical Ingredients (APIs); its established customer base across domestic and export markets; and its healthy capitalization and debt coverage indicators. The ratings continues to factor in the highly working capital intensive nature of business operations given the high receivables and sizeable inventory levels (NWC/OI of 35% as of March 31, 2017); and vulnerability of the company's profitability to fluctuations in foreign exchange rates, given the large share of exports.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>2</sup> 100 lakhs = 1 crore = 10 million

The previous rating rationale is available on the following link: [Click here](#)

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