

June 28, 2024

## Nanda Chemicals Private Limited: Ratings downgraded to [ICRA]BB+ (Stable)/ [ICRA]A4+ and withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund based-CC	20.0	10.0	[ICRA]BB+ (Stable) downgraded from [ICRA]BBB- (Stable) and withdrawn
Short Term- Non fund based-LC	40.0	20.0	[ICRA]A4+; downgraded from [ICRA]A3 and withdrawn
Long-term/Short-term - Unallocated limits	15.0	-	-
<b>Total</b>	<b>75.0</b>	<b>30.0</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has downgraded and withdrawn the ratings assigned to the bank facilities of Nanda Chemicals Private Limited (NCPL). The rating is withdrawn at the company's request and is based on the 'no objection certificate (NOC)' received from its banker, in accordance with ICRA's policy on withdrawal of credit ratings.

The revision in ratings factors in the weakened operational performance of NCPL due to an operating loss of Rs. 36.4 crore in FY2024 owing to the write-off of di calcium phosphate (DCP) inventory, as the product was not meeting the requisite norms. NCPL revenues also declined to Rs. 61.1 crore in FY2024 from Rs. 71.3 crore in FY2023 and is likely to remain above Rs. 55 crore in FY2025 due to the discontinuation of DCP manufacturing.

The ratings are also constrained by the company's small scale of operations and limited track record of operations in manufacturing sulfuric acid, and high product concentration risk with the top three products accounting for ~98% of its revenues in FY2024. Further, ICRA notes the vulnerability of the company's profitability to adverse fluctuations in raw material costs amid intense competition in the industry. The ratings consider the agro-climatic and regulatory risks associated with the chemical industry and the susceptibility of NCPL's profitability margins to foreign exchange (forex) fluctuations.

NCPL is held by the promoters of BVSR Constructions Private Ltd (BVSR, rated [ICRA]BBB+(Stable)), which is into the construction of road and irrigation projects. The ratings consider the timely support from the BVSR Group towards funding requirements at NCPL, if any, as witnessed in the past. In FY2024, NCPL received Rs. 48.1 crore from the group entities to fund cash losses and working capital requirements. ICRA takes note of the provision of corporate guarantee for NCPL's working capital facilities from BVSR.

### Key rating drivers and their description

#### Credit strengths

**Adequate sponsor profile with demonstrated track record of financial support:** NCPL is founded by the promoters of the BVSR Group, having over four decades of experience in the construction business. Further, BVSR has extended financial support to fund cash losses in FY2024. ICRA takes note of the provision of corporate guarantee for NCPL's working capital facilities from BVSR. Mr. Ravi Shankar Reddy, the Director, has been in the chemical and fertiliser industry for over a decade through Lakshmi Ganesh Agro Fertiliser Private Limited, which has a 20 tonnes per day (TPD) DCP plant, and Vinayaka Agro Fertilisers India Private Limited, which has a 0.12 million tonnes per annum (TPA) single super phosphate fertiliser plant.

## Credit challenges

**Decline in scale of operations; operating losses in FY2024:** The company revenues declined to Rs.61.1 crore in FY2024 from Rs. 71.3 crore in FY2023 owing to the discontinuation of DCP production in FY2024. The company stopped the production and sales of DCP, as the product was not meeting the requisite norms. In FY2024, the company had written off DCP stock worth ~Rs.33.0 crore due to higher fluorine content, which resulted in an operating loss of Rs. 36.4 crore. The company's revenue is likely to remain above Rs. 55.0 crore in FY2025.

**High customer and product concentration risk:** NCPL's product concentration remains high with the top three products contributing ~98% to the total revenues in FY2024. Also, the company has a high customer concentration with the top five customers accounting for 88% of the total revenues in FY2024.

**Stiff competition due to fragmented industry structure and vulnerability to high regulatory risks:** The chemical industry in India is highly fragmented with the presence of several small and large players in the organised and unorganised sectors. Further, the industry encounters competition from established players in the international market. The chemical industry attracts considerable attention on issues related to air/water pollution. The implementation of stringent pollution control norms led to the operational closure of many small players, which could not meet the control standards. Accordingly, NCPL's operations remain vulnerable to any unfavourable regulatory (environmental) policy changes.

## Liquidity position: Stretched

NCPL's liquidity position is stretched with low cash and bank balances of Rs. 0.2 crore as on March 31, 2024 and limited cushion available in working capital limits.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Not applicable

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology- Chemicals</a> <a href="#">Policy on withdrawal of ratings</a>
Parent/Group support	Parent Company: BVSR Constructions Private Limited ([ICRA]BBB+(Stable)) The ratings assigned to NCPL factor in the high likelihood of its BVSR extending financial support, given the strategic importance that NCPL holds for the Group. ICRA expects BVSR to be willing to extend financial support to NCPL out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	The ratings are based on the company's standalone financial profile.

## About the company

Nanda Chemicals Private Limited (NCPL) was incorporated on October 14, 2019 by Mr. Srinivasul Reddy Battalapally, promoter of BVSR Constructions Private Limited. At present, the company is involved in the production of sulfuric acid with the discontinuation of DCP production in FY2024. The manufacturing plant is located in Nellore, Andhra Pradesh, which is near the Krishnapatnam Port.

## Key financial indicators

	FY2023	FY2024*
Operating income	71.3	61.1
PAT	4.3	-43.3
OPBDIT/OI	38.7%	-59.6%
PAT/OI	6.0%	-70.9%
Total outside liabilities/Tangible net worth (times)	5.6	-8.2
Total debt/OPBDIT (times)	4.2	-3.4
Interest coverage (times)	7.8	-12.3

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not Applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of Jun 28, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
1	Cash Credit	Long term	10.0	--	[ICRA]BB+ (Stable); withdrawn	-	[ICRA]BBB- (Stable)	-
2	Letter of Credit	Short term	20.0	--	[ICRA]A4+ (Stable); withdrawn	-	[ICRA]A3	-
3	Unallocated Limits	Long term and short term	-	--	-	-	[ICRA]BBB- (Stable)/ [ICRA]A3	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term: Fund-based – Cash Credit	Simple
Short-term: Non-fund based – Letter of Credit	Very simple

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 are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Cash Credit	NA	NA	NA	10.0	[ICRA] BB+ (Stable); Withdrawn
NA	Non-fund based – Letter of Credit	NA	NA	NA	20.0	[ICRA] A4+; Withdrawn

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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