



Press Release

Zuari Finserv Limited (ZFL)

November 13, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Non-Convertible Debentures	20.00	Provisional IVR BBB+ (CE)/ Stable Outlook [Provisional IVR Triple B Plus (Credit Enhancement) with Stable Outlook]*#
	Total	20.00	

*CE Rating is based on the proposed structure, where, the security to be provided by way of pledge of fully paid up equity shares of Chambal Fertilisers and Chemicals Limited (CFCL) held by the holding company, Zuari Global Limited (ZGL). The stipulated asset cover for this instrument will be 2x of the principle amount and the same is to be maintained during the entire tenor of the NCD.

#Provisional rating is assigned based upon the proposed structure, which will get converted into final rating post satisfying the terms of credit enhancement rating with Infomerics.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives comfort from the credit enhancement in the form of proposed pledge of shares of Chambal Fertilisers and Chemicals Limited held by Zuari Global Limited and adequate credit quality of CFCL. This results in credit enhancement in the rating of the proposed instrument to **Provisional IVR BBB+ (CE)/ Stable Outlook [Provisional IVR Triple B Plus (Credit Enhancement) with Stable Outlook]** against the unsupported rating of **IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)**. Further, the ratings also derive strength from the Company being an entity under the umbrella of Adventz group. However, the rating is constrained by the inherent volatility in the stock market.



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Key Rating Sensitivities

Upward Factor

- The revenues and profit show sustained improvement and the company continues to provide the stipulated security cover post the proposed share pledge based debt raising transaction.

Downward Factor

- Substantial deterioration in the top-line and/or the overall performance from current level.
- Considerable decline in the price of shares being pledged leading to non-maintenance of the security cover.

List of key rating drivers with detailed description

Key Rating Strengths

Credit Enhancement in the form of proposed pledge of shares of Chambal Fertilisers and Chemicals Limited held by Zuari Global Limited:

The issue is proposed to be secured by way of pledge of fully paid up equity shares of Chambal Fertilisers and Chemicals Limited (CFCL) held by the parent company, Zuari Global Limited. The stipulated asset cover for this instrument will be 2x of the principle amount and the same is to be maintained during the entire tenor of the NCD.

Adequate credit quality of CFCL:

CFCL is one of the largest private sector fertilizer producers in India. It was promoted by Zuari Industries Limited in the year 1985. Its two hi-tech nitrogenous fertiliser (urea) plants are located at Gadepan in Kota district of Rajasthan. The two plants produce ~3 million tonnes (MT) of urea per annum (1.27 MT of urea unit at Gadepan-III commissioned in January 2019). The first plant was commissioned in 1993 and second plant in 1999. CFCL caters to the need of the farmers in twelve states in northern, eastern, central and western regions of India and is the lead fertiliser supplier in Rajasthan. CFCL's total operating income stood at Rs. 12205.95 crore with PAT of Rs. 1225.56 crore for the year ended March 31, 2020.



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Being an entity under the umbrella of Adventz Group:

ZFL is a part of the Adventz group led by Mr Saroj Kumar Poddar, comprising of around 23 companies in various industry verticals like agribusiness, engineering & infrastructure, emerging lifestyles and services. The group provides engineering and technical consultancy, project management and contracting services to chemical, fertilizer, oil & gas, petrochemical, power and other infrastructure projects. The group also has a strong presence in the fertilizer and associated chemicals industry with Zuari Agro Chemicals Limited being one of the leading players in the Indian fertilizer industry.

Key Rating Weaknesses

Volatility in the stock market:

The stock market is volatile in nature and always there is a risk of decline in the stock prices. However, the sufficient value of unencumbered shares held by the promoter group will help as and when the top up is needed.

Analytical Approach:

Credit Enhancement (CE) rating: CE Rating is based on the proposed structure, where, the security to be provided by way of pledge of fully paid up equity shares of CFCL held by the holding company, ZGL. The stipulated asset cover for this instrument will be 2x of the principle amount and the same is to be maintained during the entire tenor of the NCD.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Entities

Rating Methodology for Structure Debt Transactions (Non-securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The Company has adequate liquidity marked by the current ratio of 1.38x and adequate cash, cash equivalents and other bank balances to the tune of Rs. 14.56 Crs (including earmark deposits of Rs.4.00 Crs) in FY20.



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About the Company

Zuari Finserv Limited is offering a wide range of products and services to meet its customer's financial requirements and establishing a strong presence in the financial services sector. The Company is a wholly owned subsidiary of Zuari Global Limited and a part of the Adventz group, led by Mr. Saroj Kumar Poddar. The group owes its legacy to the remarkable entrepreneurial vision of the late Dr. K. K. Birla.

Zuari Finserv Limited was originally registered with the name of Horizonview Developers Private Limited under the provisions of the Companies Act, 1956 on December 14, 2013.

The company obtained its operations from Zuari Investments Limited (a fellow subsidiary; was operating in financial services since 1995) through corporate restructuring; wherein the operations of Zuari Investments Limited were transferred to Zuari Finserv Limited pursuant to the NCLT, Mumbai bench order dated November 09, 2017 approving the Scheme of arrangement.

Zuarimoney.com ("Brand"), which includes Zuari Finserv Limited and its wholly owned subsidiary Zuari Insurance Brokers Limited (ZIBL), having a PAN India presence in the business of investments and financial services such as stock and commodity broking, depository participant services, portfolio management, registrar and share transfer agent, distribution of mutual fund products and Insurance Broking.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	8.54	10.13
EBITDA	0.22	0.30
PAT	0.17	-1.95
Total Debt	13.86	14.61
Tangible Net Worth	19.51	18.02
Ratios		
EBITDA Margin (%)	2.53	2.99
PAT Margin (%)	1.89	-ve
Overall Gearing Ratio (x)	0.83	0.96

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Proposed Non-Convertible Debentures	Long Term	20.00	Provisional IVR BBB+ (CE)/ Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures	--	--	--	20.00	Provisional IVR BBB+ (CE)/ Stable Outlook