



NACL Industries Limited

Ref: NACL/SE/2023-24

February 7, 2024

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

Company Code: 524709

National Stock Exchange of India Ltd

Exchange Plaza, 5th Floor,
Plot No.C/1 G Block, Bandra- Kurla Complex,
Bandra, Mumbai – 400051

Symbol: NACLIND

Dear Sir/Madam,

Sub: Intimation of Credit Rating — reg.

Pursuant to the Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that, CRISIL has revised the credit rating to the Long Term & Short Term Bank Facilities of NACL Industries Limited and NACL Spec-Chem Limited (a Wholly Owned Subsidiary of NACL). The details of the same are given herein below:

A) NACL Industries Limited - Rating Action:

Facility	Rating Type	Rating Action	Rated Amount
Bank Loan	Long Term Rating	CRISIL A-/Stable (Downgraded from 'CRISIL A/Negative')	₹ 915 Crores
	Short Term Rating	CRISIL A2+ (Downgraded form 'CRISIL A1')	

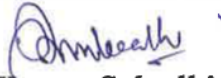
B) NACL Spec- Chem Limited - Rating Action:

Facility	Rating Type	Rating Action	Rated Amount
Bank Loan	Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Negative')	₹ 165 Crores
	Short Term Rating	CRISIL A2 (Downgraded form 'CRISIL A2+')	

Kindly take the same into records.

Thanking you,

for **NACL Industries Limited**


Satish Kumar Subudhi

Vice President -Legal & Company Secretary

Encl: As above



Rating Rationale

February 02, 2024 | Mumbai

NACL Industries Limited

Ratings downgraded to 'CRISIL A-/Stable/CRISIL A2+'

Rating Action

Total Bank Loan Facilities Rated	Rs.915 Crore
Long Term Rating	CRISIL A-/Stable (Downgraded from 'CRISIL A/Negative')
Short Term Rating	CRISIL A2+ (Downgraded from 'CRISIL A1')

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its ratings on the bank facilities of NACL Industries Ltd (NACL; a part of the NACL group) to '**CRISIL A-/Stable/CRISIL A2+**' from '**CRISIL A/Negative/CRISIL A1**'.

The downgrade reflects the significantly weaker-than-expected operating performance of the NACL group in fiscal 2024 on account of muted overseas demand and significant decline in price realisations. Consequently, the revenue and operating margin are expected to decline to around Rs 1,900 crore and 2.5-3.2% for fiscal 2024 — the margin was 8.5% for the previous fiscal. For the nine months through December 2023, the group reported revenue of Rs 1,321 crore and operating margin of less than 1%, resulting in net loss of around Rs 50 crore. Revival in overseas demand and improvement in price realisations and operating margin will remain monitorable.

The ratings continue to reflect the strong market presence and brand of NACL in the agrochemical space, supported by the extensive experience of the management team, established clientele and geographical diversification in revenue. The ratings also factor in the above-average financial risk profile. These strengths are partially offset by large working capital requirement, expected moderation in business performance, exposure to competition and susceptibility to regulatory changes and seasonality inherent in the agrochemicals sector.

Analytical approach

CRISIL Ratings has combined the business and financial risk profiles of NACL and all its subsidiaries and associate companies. This is because all the entities, collectively referred to as the NACL group, are in the same business, and have common promoters and strong business and financial linkages. Also, NACL holds 26% stake in Nasense Labs Pvt Ltd, which has been consolidated proportionately.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key rating drivers and detailed description

Strengths:

- **Established market presence:** Supported by an experienced management team, the NACL group has built a strong market presence in the agrochemicals segment over three decades. The management has established healthy relationships with customers across geographies, comprising established players in India and abroad, such as Syngenta Asia Pacific Pte Ltd, Saraswati Agro Chemicals India Pvt Ltd and Nissan Chemical Corporation. The group sells a wide range of insecticides, fungicides, herbicides and plant growth regulators. It will continue to benefit from the expertise of the promoters and management and leverage its customer relationships.
- **Above average financial risk profile:** The above-average financial risk profile is reflected in moderate capital structure and comfortable debt protection metrics. Gearing was 1.37 times as on March 31, 2023, led by higher reliance on working capital borrowing and the debt availed for capital expenditure in the subsidiary. Debt protection metrics were moderate, indicated by interest coverage of 4.34 times and net cash accrual to total debt ratio of 0.15 time in fiscal 2023, and may weaken in fiscal 2024 on account of low profitability.

Weaknesses:

- **Large working capital requirement:** Gross current assets were at 210-240 days over the four fiscals through 2023. Though the working capital cycle had lengthened due to increased inventory and receivables in fiscal 2023 and the first half of fiscal 2024, it is expected to come down as the management has taken steps to reduce the inventory and improve collection period. The group offers considerable credit in the domestic formulations business and must maintain adequate inventory owing to the number of stock keeping units, import of raw materials and seasonality in operations. Operations will remain working capital intensive, especially in the biologicals segment, given the nature of the industry, and prudent working capital management will be critical.
- **Expected moderation in business performance:** Business performance has improved consistently in the past, with revenue growing to Rs 2,105 crore in fiscal 2023 from Rs 1,002 crore in fiscal 2020. The performance is expected to moderate in fiscal 2024 on account of lower overseas demand and decline in sales realisations, with operating margin falling to less than 5% and revenue expected at Rs 1,800-1,900 crore. Domestic sales volume rose around 25% during the first nine months of fiscal 2024, which supported the performance, despite the weak international demand.
- **Exposure to competition, regulatory changes and seasonality in the agrochemicals sector:** The domestic agrochemical formulations industry has numerous organised players with regional presence. As NACL is into generic molecules, it faces intense competition from organised as well as unorganised players in the domestic market. Also, the domestic agrochemicals sector is dependent on monsoon and the level of farm income. Fortunes of this sector are, therefore, linked to the quantum, timing and distribution of rainfall in a year, rendering revenue susceptible to seasonal trends. Besides, surplus or inadequate rainfall could impact profitability of players and lead to build-up in the working capital requirement. The business performance of the NACL group, like other agrochemical manufacturers, may also be impacted by regulatory changes, such as export and import policies, registration policies and product and environment safety requirements in India and abroad.

Liquidity: Adequate

Bank limit was utilised 82%, on average, for the 12 months through December 2023. The company had free cash balance of around Rs 36 crore as of December 2023, which supports liquidity. Cash accrual is expected to be lower than the debt obligation in fiscal 2024 and the gap will be met through the cash flow from operations and available liquidity.

Outlook: Stable

CRISIL Ratings believes the NACL group will continue to benefit from its established market position and diverse product profile.

Rating sensitivity factors

Upward factors

- Steady increase in revenue and sustenance of the operating margin above 8.5%, leading to higher cash accrual.
- Improvement in the financial risk profile.

Downward factors

- Continued pressure on business performance with modest revenue growth and operating margin remaining below 5%, resulting in lower net cash accrual.
- Stretch in the working capital cycle, resulting in material increase in debt, or any inventory or debtor write-off weakening the liquidity.

About the company

NACL, incorporated in 1986, manufactures and exports crop protection technicals (active ingredient) and formulations. It manufactures all kinds of pesticides, insecticides, herbicides, fungicides and other plant growth chemicals. The formulations business is mainly in the Indian market, and the company sells through a large retail dealer network spread across the country. It also has a range of branded formulations. The company has two manufacturing units at Srikakulam and Ethakota in Andhra Pradesh, and one research and development centre in Telangana. Ms K Lakshmi Raju is the promoter and Mr M Pavan Kumar manages the operations.

NSCL has set up a manufacturing unit at Dahej with installed capacity of 6,000 tonne per annum for manufacturing technicals and intermediates for the domestic as well as overseas markets.

The NACL group reported revenue and net loss of Rs 1,326 crore and Rs 49.88 crore, respectively for the first nine months of fiscal 2024, as against revenue of Rs 1,528 crore and net profit of Rs 61.34 crore for the corresponding period of the previous fiscal.

Key financial indicators (consolidated)

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	2,104.64	1,636.43
Reported profit after tax (PAT)	Rs crore	94.87	73.42
PAT margin	%	4.51	4.49
Adjusted debt/adjusted networth	Times	1.37	1.24
Interest coverage	Times	3.80	5.19

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash credit*	NA	NA	NA	125	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	35	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	55	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	34	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	75	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	50	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	5	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	30	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	26.32	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	33.68	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	35	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	11	NA	CRISIL A-/Stable
NA	Cash credit*	NA	NA	NA	40	NA	CRISIL A-/Stable
NA	External commercial borrowing	NA	NA	May-24	7.3	NA	CRISIL A-/Stable
NA	Letter of credit	NA	NA	NA	20	NA	CRISIL A2+
NA	Letter of credit	NA	NA	NA	15	NA	CRISIL A2+
NA	Letter of credit	NA	NA	NA	55	NA	CRISIL A2+
NA	Letter of credit	NA	NA	NA	30	NA	CRISIL A2+
NA	Letter of credit	NA	NA	NA	30	NA	CRISIL A2+
NA	Letter of credit	NA	NA	NA	45	NA	CRISIL A2+
NA	Long-term loan	NA	NA	Jan-25	13.13	NA	CRISIL A-/Stable
NA	Long-term loan	NA	NA	Feb-26	40	NA	CRISIL A-/Stable
NA	Long-term loan	NA	NA	Jan-26	28.85	NA	CRISIL A-/Stable
NA	Long-term loan	NA	NA	Dec-24	11.66	NA	CRISIL A-/Stable
NA	Long-term loan	NA	NA	Mar-28	19.34	NA	CRISIL A-/Stable
NA	Long-term loan	NA	NA	Jun-25	19.4	NA	CRISIL A-/Stable
NA	Proposed working capital facility	NA	NA	NA	25.32	NA	CRISIL A2+

*Working capital demand loan (WC DL) and pre- and post-shipment credit are sublimits of cash credit

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
NACL Industries Ltd	Full	Same business, common promoters and strong business and financial linkages. NACL holds 26% stake in Nasense Labs Pvt Ltd, which has been consolidated accordingly
LR Research Laboratories Pvt Ltd	Full	
NACL Spec-Chem Ltd	Full	
Nagarjuna Agrichem (Australia) Pty Ltd	Full	
NACL Multichem Pvt Ltd	26%	

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	720.0	CRISIL A2+ / CRISIL A-/Stable		--	07-08-23	CRISIL A/Negative / CRISIL A1	08-08-22	CRISIL A1 / CRISIL A/Stable		--	--

			--	--	27-07-23	CRISIL A1 / CRISIL A/Stable		--	--	--
Non-Fund Based Facilities	ST	195.0	CRISIL A2+	--	07-08-23	CRISIL A1	08-08-22	CRISIL A1	--	--
			--	--	27-07-23	CRISIL A1		--	--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit [^]	55	RBL Bank Limited	CRISIL A-/Stable
Cash Credit [^]	34	Shinhan Bank	CRISIL A-/Stable
Cash Credit [^]	75	Axis Bank Limited	CRISIL A-/Stable
Cash Credit [^]	50	Bandhan Bank Limited	CRISIL A-/Stable
Cash Credit [^]	5	Bank of Bahrain and Kuwait B.S.C.	CRISIL A-/Stable
Cash Credit [^]	33.68	Kotak Mahindra Bank Limited	CRISIL A-/Stable
Cash Credit [^]	35	YES Bank Limited	CRISIL A-/Stable
Cash Credit [^]	11	IndusInd Bank Limited	CRISIL A-/Stable
Cash Credit [^]	40	Doha Bank	CRISIL A-/Stable
Cash Credit [^]	30	SBM Bank (India) Limited	CRISIL A-/Stable
Cash Credit [^]	26.32	Kotak Mahindra Bank Limited	CRISIL A-/Stable
Cash Credit [^]	125	HDFC Bank Limited	CRISIL A-/Stable
Cash Credit [^]	35	SVC Co-Operative Bank Limited	CRISIL A-/Stable
External Commercial Borrowings	7.3	RBL Bank Limited	CRISIL A-/Stable
Letter of Credit	30	SBM Bank (India) Limited	CRISIL A2+
Letter of Credit	30	YES Bank Limited	CRISIL A2+
Letter of Credit	45	IndusInd Bank Limited	CRISIL A2+
Letter of Credit	20	Axis Bank Limited	CRISIL A2+
Letter of Credit	15	Bandhan Bank Limited	CRISIL A2+
Letter of Credit	55	Bank of Bahrain and Kuwait B.S.C.	CRISIL A2+
Long Term Loan	40	Bajaj Finance Limited	CRISIL A-/Stable
Long Term Loan	28.85	RBL Bank Limited	CRISIL A-/Stable
Long Term Loan	11.66	RBL Bank Limited	CRISIL A-/Stable
Long Term Loan	19.34	RBL Bank Limited	CRISIL A-/Stable
Long Term Loan	13.13	Bajaj Finance Limited	CRISIL A-/Stable
Long Term Loan	19.4	Doha Bank	CRISIL A-/Stable
Proposed Working Capital Facility	0.32	Not Applicable	CRISIL A2+
Proposed Working Capital Facility	25	Not Applicable	CRISIL A2+

[^] - WCDL and Pre&post shipment Credit are sublimits of CC

Criteria Details

Links to related criteria

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Approach to Financial Ratios](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Himank Sharma Director CRISIL Ratings Limited D:+91 124 672 2152 himank.sharma@crisil.com</p> <p>Nagarjun Alaparathi Associate Director CRISIL Ratings Limited D:+91 20 4018 1934 nagarjun.alaparathi@crisil.com</p> <p>Akhil Thomas Senior Rating Analyst CRISIL Ratings Limited B:+91 40 4032 8200 Akhil.Thomas@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesks@crisil.com</p>

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Rating Rationale

February 02, 2024 | Mumbai

NACL Spec-Chem Limited

Ratings downgraded to 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.165 Crore
Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Negative')
Short Term Rating	CRISIL A2 (Downgraded from 'CRISIL A2+')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has downgraded its ratings on the bank facilities of NACL Spec-Chem Limited (NSCL) to '**CRISIL BBB+/Stable/CRISIL A2**' from '**CRISIL A-/Negative/CRISIL A2+**'.

The downgrade factors in a similar action in the ratings of the parent company -- NACL Industries Ltd (NACL) -- in the ongoing fiscal owing to weak export demand and lower realisation. Standalone performance of NSCL is also lower than expectations.

The ratings continue to reflect extensive experience of the promoter in the agrochemicals segment, successful completion of the capital expenditure (capex) and strong support from the parent. These strengths are partially offset by moderately leveraged capital structure and exposure to intense competition, regulatory changes and seasonality in the industry.

Analytical approach

CRISIL Ratings has applied its parent notch-up criteria to factor in the support received from the parent, NACL.

Key rating drivers and detailed description

Strengths:

- **Extensive experience of the promoter**

Supported by an experienced management team, NACL has built a strong three-decade-long market presence in the agrochemicals segment. The management has established healthy relationship with customers, which are well diversified across geographies and include established players in India and export markets. NACL sells a wide range of insecticides, fungicides, herbicides and plant growth regulators. Ability to develop products to meet upcoming demand could enhance growth over the medium term. NSCL will continue to benefit from the experience of its promoter and leverage its customer relationship.

- **Completion of the capex**

NSCL completed the capex at its Dahej unit (in Gujarat) and commenced operations. Revenue is expected above Rs 190-200 crore in the ongoing fiscal and is expected to report operating profits in the first full year of operations.

- **Strong support from the parent**

NSCL is a fully owned subsidiary of NACL. The company benefits from the financial, operational and managerial support extended by the parent. NACL has extended support to NSCL by enabling it to raise need-based term debt. NACL has also given corporate guarantee to the debt facilities availed by NSCL.

Weaknesses:

- **Moderately leveraged capital structure**

The capital structure has been leveraged owing to the debt-funded capex and moderate debt protection metrics. However, the capex has been completed and repayment has started. The capital structure is likely to improve over the medium term, with better accretion to reserve and gradual reduction in debt. Further, NACL has brought in additional funds (as compulsory convertible debentures) to aid the financial risk profile.

- **Exposure to competition, regulatory changes and seasonality in the agrochemicals sector**

The domestic agrochemical formulations industry has numerous organised players, with regional presence. As NACL is into generic molecules, it faces intense competition from organised as well as unorganised players in the domestic market. Also, the domestic agrochemicals sector is dependent on the monsoon and the level of farm income.

Liquidity: Adequate

Bank limit utilisation was around 87% for the three months through December 2023. Cash accrual is expected to be lower than term debt obligation in the ongoing fiscal. Current ratio is projected at 0.77 time on March 31, 2024. However, company has received enhancement in the working capital limits recently and the expected fund support from parent will support liquidity.

Outlook: Stable

NSCL will continue to benefit from the extensive experience of its promoter and support from the parent.

Rating sensitivity factors

Upward factors

- Timely stabilisation of operations at the new plant, reporting revenue more than Rs 400 crore and operating margin above 11%
- Improvement in financial risk profile
- Upgrade in the credit rating of the parent

Downward factors

- Operating margin less than 7%, resulting in significantly low cash accrual, during the initial phase of operations
- Any significant change in the support strategy, or a downgrade in the credit rating, of the parent

About the company

NSCL, incorporated in April 2020, is a wholly owned subsidiary of NACL. The company is set to manufacture agrochemical technical and intermediate for domestic as well as export markets with the installed capacity of 6,000 tonne per annum. Its manufacturing facility is at Dahej Industrial Zone. Ms K Lakshmi Raju is the promoter.

About the parent

NACL, incorporated in 1986, manufactures and exports crop protection technical (active ingredient) and formulations. It manufactures all kinds of pesticides, insecticides, herbicides, fungicides and other plant growth chemicals. Its formulation business is mainly in the Indian market and sells through a large retail dealer network spread across India; it also has a range of branded formulations. The company has two manufacturing units at Srikakulam and Ethakota in Andhra Pradesh and one research and development centre in Telangana. Ms K Lakshmi Raju is the promoter and Mr M Pavan Kumar manages the business.

Key financials

As on/for the period ended March 31		2023	2022
Operating income	Rs crore	16.22	0.00
Reported profit after tax (PAT)	Rs crore	-8.97	-0.36
PAT margin	%	-46.46	-8834.15
Adjusted debt/adjusted networkth	Times	-41.99	37.36
Interest coverage	Times	-0.31	-0.02

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit ^{&}	NA	NA	NA	10	NA	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	20	NA	CRISIL A2
NA	Term Loan	NA	NA	Mar-28	35	NA	CRISIL BBB+/Stable

NA	Term Loan	NA	NA	Mar-28	100	NA	CRISIL BBB+/Stable
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& - working capital demand loan and pre and post shipment credit are sublimits of cash credit

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	145.0	CRISIL BBB+/Stable		--	07-08-23	CRISIL A-/Negative	03-10-22	CRISIL BBB+/Stable		--	--
					--	27-07-23	CRISIL A-/Stable		--		--	--
Non-Fund Based Facilities	ST	20.0	CRISIL A2		--	07-08-23	CRISIL A2+		--		--	--
					--	27-07-23	CRISIL A2+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{&}	10	Axis Bank Limited	CRISIL BBB+/Stable
Letter of Credit	20	Axis Bank Limited	CRISIL A2
Term Loan	35	Axis Bank Limited	CRISIL BBB+/Stable
Term Loan	100	HDFC Bank Limited	CRISIL BBB+/Stable

& - working capital demand loan and pre and post shipment credit are sublimits of cash credit

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
Rating criteria on Financial risk framework for manufacturing and services sector companies
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for rating short term debt

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Himank Sharma Director CRISIL Ratings Limited B: +91 124 672 2000 himank.sharma@crisil.com</p> <p>Nagarjun Alaparthy Associate Director CRISIL Ratings Limited B: +91 40 4032 8200 nagarjun.alaparthy@crisil.com</p> <p>Akhil Thomas Senior Rating Analyst CRISIL Ratings Limited B: +91 40 4032 8200 Akhil.Thomas@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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