**Date: 4th June 2022**

This refers to discussions we had on applicability of EV of peer companies. The four files are attached below providing the data as desired.

1) **DoF energy consumption :** Energy consumption per MT of Urea during 2013-14 to 2017-18 as per Ministry of Chemicals and Fertilizers Government  of India last published data. It may be noted that Energy consumption of Indogulf is around 5.2 GCal/MT Tata is around 5.1/GCal whereas NFCL was around 5.6 GCal/MT of Urea earlier (now energy consumption with full capacity production is around 5.991 GCal due to lack of maintenance/deterioration of plant).

2) **Indogulf Fertilizers (5.2 GCal/MT plant):** The lump sum consideration of Rs 2,649 crores is for transfer of the business of manufacture, trading and sale of Urea and a large and a growing non urea business (customized fertilizers, agri inputs, crop protection, plant and soil health products and speciality fertilizers). Premium / Brand / Goodwil is around Rs 985 crores, asset value is around Rs 1,322 (with Plant Value of Rs 475 crores and current assets of Rs 847 Crores) and liabilities are around Rs 342 which was deducted from the consideration.

3) **Tata Fertilizers (5.1 GCal/MT plant) :** The lump sum consideration of Rs 2,670 crores is for transfer of its Urea business, customized fertilizers etc. Premium / Brand / Goodwill is around Rs 627 crores, asset value is around Rs 1,532 (with Plant Value of Rs 529 crores and current assets of Rs 1,003 Crores) and liabilities are around Rs 511 deducted from the consideration.

4) **Time Taken and Reasons for Sale of Tata and Birla Businesses:** Sale of Tatas and Birlas Urea plus other agri businesses of the company took an average of 3 to 4 years. Sale took time due to Urea Margins.

5) **Comparison of Tata / Indogulf/NFCL (table in next sheet)** :

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Indogulf** | **Tata** | **NFCL** |
|  | Rs Crores | Rs Crores | Adjustments to be made to equalise value |
| Energy Gcal / MT | 5.2 | 5.1 | Current at full capacity around 6.0 GCal/MT and 5.41 after capex |
| Negative EBIDTA  Note :  Company with full capacity “without considering financial creditor and operating creditor dues” due to energy consumption makes cash loss on every tonne of urea produced i.e. production cost > income  if Indo Gulf and Tatas had NFCL energy levels they would also make cash loss. |
| Gross Value/Consideration | 2649 | 2670 | Total Investment Required for the buyer to turnaround the company (to be deducted form the value) Rs 3232 Crores (does not include debt settlement and brand cost).   1. NFCL does not own Nagarjuna Brand, the brand licence has expired and NFCL IRP has received a claim of Rs 800 Crs for past dues. Investor needs to invest and build new brand. 2. Investment Required to Operate the Plant : Maintenance (including civil repairs) and Energy Reduction Capex of Rs 871.5 Crores is required to run both the plants plus Financing of Maintenance Costs for 2 years Rs 150 Crores. Total around Rs 1022 Crores spent over 3 years. 3. Funds required to fund EBIDTA losses for next 3 years till Capex is complete Rs 218 Crores (Rs 990 Crs EBIDTA losses minus Rs 772 Crores for two years maintenance costs). 4. Additional Investment of a minimum of Rs 500 Crores is required to match Indogulf / Tata energy levels. 5. Funds of Rs 1,193 Crores required to pay off net current liabilities. 6. Working Capital Margin of around Rs 300 Crores is required for working capital needs. 7. Settlement of Financial Debt in the books of the company (not estimated). |
| Net Value (minus Liabilities) | 2307 (342) | 2159 (511) |
| Breakup of Net Value : |  |  |
| Amount Paid for Premium / Brand / goodwill | 985 | 627 |
| Current Assets | 847 | 1003 |
| Plant Value for Maintained/Energy Efficient Plant | 475 | 529 |
|  |  |  |

In this regard the following may be noted

**6) Better/Alternative Investment Options for Urea** : As demand is greater than production, new investment can still be made in the sector given the guaranteed returns under the policy on urea units (NIP 2012). The new urea units are assured a floor and ceiling price subject to IPP. The floor and ceiling prices for brown field and green filed project are USD/MT 285 and USD/MT 310 and USD/MT 305 and 335 USD/MT respectively (the policy document attached). The calculation basis for floor and ceiling price is detailed in the new investment policy. Central Govt guarantees return on equity on dollar terms for new plants: post tax return of 12% on the equity for floor price (18% pretax at a tax level of 34%) and ceiling of 20% post tax return (30% pretax at tax level of 34%). The investment in urea sector for new units get pre-tax equity return between 18% to 30%. The debt taken for the project is a reimbursed as part of the calculation.

In the case of Ramagundam (similar capacity as NFCL) the equity investment is estimated at Rs 1826 Crores.

As per the old urea policy (in addition to details already provided) existing or new equity and debt (including working capital interest) of old units are not recognized or reimbursed (not serviceable). The minimum investment required without servicing any operating creditors or financial creditors or brand building expenses is Rs 2,130 Crores (including capex (Rs 1022 plus 500 Crores), EBIDTA loss financing Rs 218,, working capital margin of around Rs 300 crores) and maximum investment as a going concern including servicing operating creditors is Rs 3232 Crores (not including debt settlement).

In clarification to the query on EBIDTA in the financial model sent vide dated 31 May 2022. The EBIDTA does not include the liability payments to operational creditors like Water Rs 265 Crores, Arbitration Awards / Court Rs 191 Crores, Taxation matters Rs 20 Crores & others Rs 8 Crores.