Press Release

Madhya Bharat Agro Products Limited
April 03, 2018

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating¹</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term Bank Facilities</td>
<td>32.31</td>
<td>CARE BBB; Stable (Triple B; Outlook: Stable)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Total Bank Facilities</td>
<td>32.31 (Rupees Thirty two crore and thirty one lakh only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Madhya Bharat Agro Products Limited (MBAPL) continues to derive strength from the wide experience of the management in the fertiliser industry with strong group support, association of the group with single reputed customer Shriram Fertilizers (SFS); which is a unit of DCM Shriram Limited (DCM)) and its financial risk profile marked by healthy profit margins, comfortable solvency and liquidity position. The rating, further, derives strength from its presence in the entire value chain from manufacturing of Sulphuric Acid (SA) to Beneficiated Rock Phosphate (BRP) to Single Super Phosphates (SSP) and Granule SSP (GSSP).

The rating, however, continues to remain constrained on account of its fluctuating scale of operations, vulnerability of the margins to fluctuation in the raw material prices and challenges of operating in a highly regulated fertilizer industry. The rating is further constrained on account of stabilization risk associated with its recently completed expansion project as well as those for backward integration and forward integration and project implementation risk associated for remaining project.

The ability of MBAPL to increase its scale of operations while maintaining profitability and changes in government policy with respect to SSP shall be the key rating sensitivities. Further, achievement of envisaged level of revenue and profitability from its recently completed expansion project as well as those for backward integration and forward integration project shall also be the key rating sensitivity.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Experienced management with strong group support and strong financial risk profile**

Ostwal group is into fertilizer and ancillary activities since 2002 through its flagship company, Ostwal Phoschem (India) Limited (OPL). The group is promoted by Mr. Mahendra Kumar Ostwal, Chairman and Managing Director of Ostwal group, who has more than two decades of experience in the SSP industry and is assisted by his sons, Mr. Pankaj Ostwal and Mr. Praveen Ostwal. Further, the directors are assisted by a team of professionals looking after various business functions.

The group companies are getting benefits in terms of experienced management with strong financial support and their established relationship with single reputed customers as well as raw material suppliers. OPL has 31.62% shareholding in MBAPL and 39.22% in Krishana Phoschem Limited (KPL).

**Reputed customer for the sale of SSP**

MBAPL, KPL and OPL enter into annual sales and marketing agreement with Shriram Fertilizers (SFS) since 2005-06 for supply of SSP and GSSP. The group directly supplies its entire output of SSP and GSSP to SFS’s dealer network under the brand name ‘Shriram Super’. As SFS is a major player in the fertilizer industry with established brand name and dealer network, the group has been benefitted in terms of its association with a reputed brand in the fertilizer industry. Further, the group has been getting assistance from SFS in the form of purchase of imported rock phosphate through high sea sale by SFS as well as getting advance amount from SFS against the unsold SSP inventory lying with the dealers of SFS.

**Long term supply arrangement rock phosphate**

Rock phosphate is a scarce material in India with its reserves concentrated in Rajasthan, Madhya Pradesh and Uttar Pradesh. MBAPL has signed a Memorandum of Understanding (MoU) for supply low grade rock phosphate with two companies. Owing to assured supply of raw material, MBAPL gets the benefit in terms of availability of raw material for its BRP plant at low transportation cost.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.
**Press Release**

*Improvement in Total Operating Income (TOI), gross cash accruals (GCA) and profitability margins*

During FY17, TOI of MBAPL has grown by 26.28% over FY16 and stood at Rs. 81.71 crore mainly on account of improvement in sales volume its fertilizer business and commencement of operations of chemical business in FY17. Further, PBILDT margin of the company has improved significantly by 744 bps in FY17 over FY16 mainly on account of decrease in cost of low grade rock phosphate and SA. Further, PAT margin improved by 13 bps in FY17 over FY16 although lower than PBILDT mainly on account of higher interest and depreciation charges.

*Comfortable solvency position*

The capital structure of MBAPL remained comfortable as on March 31, 2017; deteriorated from 0.27 times as on March 31, 2016 on account of increase in term loan for funding the capex which was partially offset by accretion of profits to reserves.

Further, owing to improvement in scale of operations as well as profitability total debt to GCA level improved from 2.15 times as on March 31, 2016 to 1.92 times as on March 31, 2017.

*Comfortable liquidity position*

The liquidity position of the company stood comfortable with average working capital utilization of 79.74% in last twelve month ended January 2018. However, the operating cycle stood elongated to 112 days in FY17 from 62 days in FY16 owing to increase in inventory level of SSP.

*Key Rating Weakness*

**Highly regulated fertilizer industry**

Fertilizer industry is characterized by government control on prices and frequent changes in policies in last five years. However, the implementation of NBS policy in April 2010 has recognized that the value of each nutrient is the same irrespective of the source. Under the NBS policy, subsidy for SSP has been reduced to Rs.2166 per MT for the year 2017-18 as against Rs.2343 per MT for the year 2016-17.

Further, till December, 2017, the subsidy on SSP was being claimed and reimbursed by the Government to marketer. But, with effect from January 01, 2018 the subsidy need to be claimed by the manufacturers itself.

*Analytical approach:* Standalone

**Applicable Criteria**

- Criteria on assigning Outlook to Credit Ratings
- CARE’s Policy on Default Recognition
- Rating Methodology: Factoring Linkages in Ratings
- Financial ratios – Non-Financial Sector
- Rating Methodology - Fertilizer

**About the Company**

MBAPL was incorporated as a private limited company by Mr. Shailendra Jain along with his relatives in 1997 to set up a Single Super Phosphate (SSP) manufacturing plant in Sagar district, Madhya Pradesh. In September 2004, MBAPL was taken over by Bhilwara based Ostwal Group pending approval from BIFR and operations of MBAPL were turned around since January 2005. Further, in September 2016, it came out with an IPO and has listed its shares in NSE SME Platform.

Ostwal group is involved in the business of fertilizers, bio-fertilizers, mineral beneficiation, seeds and pesticides, textiles, real estate, import and export of agro commodities etc. through its group companies.

<table>
<thead>
<tr>
<th>Brief Financials (Rs. Crore)</th>
<th>FY16 (A)</th>
<th>FY17 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Income</td>
<td>64.70</td>
<td>81.71</td>
</tr>
<tr>
<td>PBILDT</td>
<td>12.12</td>
<td>21.38</td>
</tr>
<tr>
<td>PAT</td>
<td>9.21</td>
<td>11.73</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>0.27</td>
<td>0.43</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>4.29</td>
<td>4.18</td>
</tr>
</tbody>
</table>

(A: Audited)

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

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2
**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

**Analyst Contact**
Name: Mr Abhishek Jain  
Tel: 0141-4020213/14  
Mobile: +91 9251265875  
Email: abhishek.jain@careratings.com

**About CARE Ratings:**
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**
CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

---

### Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - LT-Cash Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.50</td>
<td>CARE BBB; Stable</td>
</tr>
<tr>
<td>Fund-based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>June, 2023</td>
<td>21.81</td>
<td>CARE BBB; Stable</td>
</tr>
</tbody>
</table>

### Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Type</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Current Ratings</th>
<th>Rating history</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fund-based - LT-Cash Credit</td>
<td>LT</td>
<td>10.50</td>
<td>CARE BBB; Stable</td>
<td>1)CARE BBB; Stable (14-Mar-17) 2)CARE BBB (10-Oct-16)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1)CARE BBB (29-Dec-15)</td>
</tr>
<tr>
<td>2.</td>
<td>Fund-based - LT-Term Loan</td>
<td>LT</td>
<td>21.81</td>
<td>CARE BBB; Stable</td>
<td>1)CARE BBB; Stable (14-Mar-17) 2)CARE BBB (10-Oct-16)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>
**CONTACT**

**Head Office Mumbai**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Ms. Meenal Sikchi     | Cell: + 91 98190 09839  
E-mail: meenal.sikchi@careratings.com  
ankur.sachdeva@careratings.com |
| Mr. Ankur Sachdeva    | Cell: + 91 98196 98985  
E-mail:                                                  |
| Ms. Rashmi Narvankar  | Cell: + 91 99675 70636  
E-mail: rashmi.narvankar@careratings.com |
| Mr. Saikat Roy        | Cell: + 91 98209 98779  
E-mail: saikat.roy@careratings.com |

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. Deepak Prajapati  | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015  
Cell: +91-9999098864  
Tel: +91-79-4026 5656  
E-mail: deepak.prajapati@careratings.com |

**BENGALURU**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. V Pradeep Kumar   | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: pradeep.kumar@careratings.com |

**CHANDIGARH**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. Anand Jha         | SCF No. 54-55, First Floor, Phase 11, Sector 65, Mohali, Chandigarh - 160062  
Cell: +91 85111-53511/99251-42264  
Tel: +91-0172-490-4000/01  
Email: anand.jha@careratings.com |

**CHENNAI**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. V Pradeep Kumar   | Unit No. 0-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: pradeep.kumar@careratings.com |

**COIMBATORE**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. V Pradeep Kumar   | T-3, 3rd Floor, Manchester Square  
Puliyakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: pradeep.kumar@careratings.com |

**HYDERABAD**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. Ramesh Bob        | 401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029.  
Cell: + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: ramesh.bob@careratings.com |

**KOLKATA**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Ms. Priti Agarwal     | 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: priti.agarwal@careratings.com |

**PUNE**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Mr. Pratim Banerjee   | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, S  
hivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: pratim.banerjee@careratings.com |

CIN-L67190MH1993PLC07169