

## Agro Phos (India) Limited

October 20, 2022

### Ratings

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	6.00	CARE A3 (A Three)	Revised from CARE A4+ (A Four Plus)
<b>Total Bank Facilities</b>	<b>16.00</b> <b>(₹ Sixteen Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Agro Phos India Limited (APIL) is on account of growth in scale of operations, comfortable solvency position and debt coverage indicators with adequate liquidity during FY22 (Audited, refers to period April 01 to March 31) and Q1FY23 (Unaudited, refers to period from April 01 to June 30). The ratings further continue to derive strength from vast experience of promoters and its established presence in fertilizers industry with widespread marketing and distribution network.

The above strengths are, however, partially offset by moderate profitability margins along with concentrated product portfolio and presence in regulated nature of industry with agro-climatic risk. The ratings also remained constrained on account of susceptibility of profit margins to volatility in raw material prices and foreign exchange rates.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operation marked by Total Operating Income (TOI) above Rs.150 crore with improvement in PBILDT margin
- Sustaining comfortable capital structure and positive cash flows from operations

#### Negative Factors - Factors that could lead to negative rating action/downgrade:

- De-growth in scale of operations by 30% with decline in PBILDT margin
- Deterioration in the capital structure with overall gearing above unity on a sustained basis
- Significant decline in profitability leading to interest coverage below 2 times

### Detailed description of the key rating drivers

#### Key Rating Strength

##### Growth in scale of operations

The scale of operations as marked by TOI has witnessed substantial growth by almost two folds during FY22. The TOI of APIL stood at Rs.116.30 crore in FY22 as against Rs.60.12 crore in FY21, the improvement in TOI is due to increase in demand from existing customers as well as addition of new customers during the year. During Q1FY23(Unaudited), APIL has registered TOI of Rs.30.20 crore.

##### Comfortable capital structure and debt coverage indicators

APIL's capital structure continued to remain comfortable with a below unity overall gearing of 0.52x as on March 31, 2022 (0.42x as on March 31, 2021). The debt coverage indicators of APIL improved and remained comfortable marked by total debt to gross cash accruals (TDGCA) at 3.80 years in FY22 (5.09 years in FY21) led by substantial increase in cash accruals. The interest coverage ratio also improved and remained comfortable at 5.40x in FY22 as against 3.34x in FY21; mainly due to increase in operating profits in FY22. The debt coverage indicators further improved during Q1FY23 marked by an interest coverage of 9.45x.

##### Experienced management with established presence in fertilizers industry

Mr. Raj Kumar Gupta, Managing Director, holds experience of more than two decades in the fertilizer industry. He looks after business development and overall business as well as finance function of the company. Mr. Vishnu Kant Gupta, director, has around one decade of experience in the fertilizers industry and looks after production of the company.

##### Established marketing & distribution network

Over the years, APIL has established its distribution network consisting of over 200 dealers/distributors spread across various states viz. Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Chhattisgarh and Andhra Pradesh.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key Rating Weaknesses

### Moderate profitability

APIL's profitability position continued to remain moderate marked by PBILDT margin at 7.75% in FY22 as compared to 10.85% in FY21. Operating margin declined in FY22 due to written off outstanding receivables of Rs.1.59 crore as well as repair and maintenance expense of plant-machinery and building of Rs.2.79 crore in FY22. The PAT margin continued to remained moderate at 5% during FY22 as against 5.27% during FY21 mainly due to proportionate decrease in the finance cost. Further, with improved scale of operations, cash accruals increased to Rs.6.44 crore in FY22 as against Rs.5.76 crore in FY21.

During Q1FY23, PBILDT margin improved to 11.89% (7.75% during FY22) due to decrease in power and fuel cost as well as machinery repair expenses. Consequently, PAT margin also improved and remained at 7.95% in Q1FY23.

### Concentrated product portfolio

The product portfolio of APIL consist of organic fertilizers & chemical fertilizers like single super phosphate (SSP), Nitrogen Phosphorus Potassium (NPK), Organic Manure, Calcium Sulphate, Zinc Sulphate, Potash derived from Molasses (PDM), Phosphate Rich Organic Manure (PROM) etc. The product portfolio of APIL remained concentrated with ~83% sales derived from SSP and NPK.

### Regulated nature of industry

The profitability and liquidity of fertilizer manufacturers is significantly influenced by the regulations governing various types of fertilizers. In case of P&K fertilizers, the subsidy is fixed for a particular year based on the proportion of nutrients in the fertilizer and manufacturers can fix MRP in line with the raw material prices. However, increased cost of production with inadequate subsidy budgeting, impacts profitability margins of fertilizer manufacturers. Regular intervening by government to increase the subsidy budget, NPK nutrient rates and MSPs augur well for the sector.

### Agro-climatic Risks

Large portion of the farming land in India is dependent on the vagaries of the monsoon in the absence of adequate irrigation facilities. Rainfall deficiency or drought can adversely impact sowing level of various crops and in turn the demand of fertilizers.

### Exposure to volatility in raw material prices and foreign exchange rates

Major raw materials required for manufacturing of SSP, is rock phosphate and sulfuric acid. The procurement of rock phosphate is fulfilled by imports from Egypt, Iran, Jordan, Morocco, Syria, Togo, Tunisia, etc. while requirement of sulfuric acid is met by local vendors. The prices of rock phosphate are volatile due to its linkage with international markets along with India being an importer as it is not naturally mined in the country. However, APIL is able to pass on some portion of price variation to customers with some time lag.

Further, APIL does not have any sizeable exports to provide natural hedge for its import payables, which exposes its profitability to adverse movement in foreign exchange rates.

### Liquidity: Adequate

The liquidity profile of APIL remained adequate with current ratio of 1.74x as on March 31, 2022 (PY: 2.11x). Unencumbered cash and bank balance remained at Rs.1.10 crore as on March 31, 2022. The operating cycle of APIL improved substantially and remained at 106 days in FY22 as against 211 days in FY21; mainly due to decrease in the average collection period from 114 days in FY21 to 43 days in FY22 owing to sales to new customers on advance payment basis as well as faster recovery from existing customers. GCA remained adequate at Rs.6.44 crore in FY22 as against debt repayments of Rs.1.20 crore in FY23. The average working capital utilization remained higher at ~80% for the past 12 months ended September 30, 2022. The net cash flow from operations improved from Rs.8.90 crore during FY21 to Rs.13.20 crore during FY22 mainly due to increase in the profitability in FY22 as well as increase in the trade payables due to higher purchases in Q4FY22.

### Analytical approach: Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Fertilizer](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the Company

Indore (Madhya Pradesh) based Agro Phos (India) Limited (APIL) was initially formed in 2001 as a partnership concern in the name of Agro (Phos) India by Mr. Raj Kumar Gupta and Mr. Virendra Kumar Gupta. Further, in 2002, it was converted into private limited company and thereafter the company changed its constitution from private limited to closely held public limited company in March, 2004. At present the company is listed on NSE.

APIL is an ISO 9001:2008 certified company engaged in the manufacturing of fertilizers such as Single Super Phosphate (SSP), Nitrogen Phosphate and Potassium (NPK), Zinc Sulphate, Organic manure and Calcium Sulphate commonly known as soil conditioner or gypsum. APIL also undertakes trading of Diammoium Phosphate (DAP), Urea, Ammonium Sulphate and other fertilizers depending upon the demand of the customer. The manufacturing facilities of APIL are located at Dewas and Meghnagar in Madhya Pradesh.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	60.12	116.30	30.20
PBILDT	6.52	9.01	3.59
PAT	3.17	5.82	2.40
Overall gearing (times)	0.42	0.52	NA
Interest coverage (times)	3.34	5.40	9.45

A: Audited; UA: Unaudited; NA: Not Available

**Status of non-cooperation with previous CRA:** ICRA has suspended rating assigned to the bank facilities of APIL vide press release dated November 07, 2014 on account of non-cooperation by APIL with ICRA's efforts to undertake a review of the ratings outstanding.

Brickwork Ratings has put ratings assigned to the bank facilities of APIL in to 'Non-Cooperation' vide press release dated May 09, 2022 on account of non-cooperation by APIL with Brickworks' efforts to undertake a review of the ratings outstanding.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Bank lender details:** Please refer Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A3

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

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (17-Aug-21)	1)CARE BB+; Stable (29-Sep-20)	1)CARE BB+; Stable (23-Aug-19) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Apr-19)
2	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A3	-	1)CARE A4+ (17-Aug-21)	1)CARE A4+ (29-Sep-20)	1)CARE A4+ (23-Aug-19) 2)CARE A4+; ISSUER NOT COOPERATING* (03-Apr-19)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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