

Agro Phos (India) Limited

March 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.40	CARE BB+; Stable	Assigned
Long Term Bank Facilities	27.25 (Enhanced from 10.00)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	16.00 (Enhanced from 6.00)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Agro Phos (India) Limited (APIL) continue to remain constraints on account of its moderate profitability with operating loss and weak debt coverage indicators during 9MFY24 (refer to period from April 01 to December 31), concentrated product portfolio, its presence in regulated industry with agro-climatic risk, exposure of profitability to volatility in raw material prices and foreign exchange fluctuation risk and stretched liquidity. The ratings, however, derive strength from its moderate albeit growing scale of operations, established marketing & distribution network and comfortable capital structure. The ratings also factor in experienced management with established presence in the fertilizer industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation marked by Total operating income (TOI) above Rs.130.00 crore with PBILDT of 8% on a sustained basis.
- Improvement in capital structure marked by overall gearing of 0.5x
- Improvement in debt coverage indicators marked by interest coverage of above 5x and total debt to GCA of below 5 years

Negative factors

- De-growth in scale of operations marked by TOI below Rs.80 crore on sustained basis
- Delay in receipt of subsidy further impacting liquidity.
- Significant decline in profitability leading to interest coverage of below 2x on sustained basis
- Deterioration in capital structure marked by overall gearing (including LC backed creditors) above unity

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of APIL is "Stable" considering the long experience of promoters in the fertilizer industry coupled with established relationship with customer and on expectation of APIL sustaining its comfortable capital structure.

Detailed description of the key rating drivers:

Key weaknesses

Moderate profitability with operating loss and weak debt coverage indicators during 9MFY24

APIL's profitability remained at moderate level over the past five years ended FY23 in the range of 7-10%. However, APIL reported operating losses of Rs.6.93 crore in Q3FY24 which resulted in operating loss of Rs.0.11 crore in 9MFY24 as compared to PBILDT of Rs.9.76 crore in 9MFY23 mainly owing to inventory losses followed by a sharp decline in fertilizer rates and volatile input prices. Further, with operating losses in 9MFY24, APIL's debt coverage deteriorated and are also expected to remain at similar lines in FY24.

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 ~89% sales derived from SSP.

Presence in regulated industry with agro-climatic risks

The profitability of fertilizer manufacturers is influenced by the regulations governing various types of fertilizers, wherein, the government controls the fertilizer prices and provides subsidies. The quantum of subsidy receivables and delays associated with the receipt of the same inherently impacts the liquidity of the fertilizer industry, albeit differs with the type of fertilizer. With the sharp increase in raw material prices witnessed in FY22 and FY23, the government increased the subsidy budget allocation and

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

has been regularly releasing the subsidy payments thereon. However, subsequently, with moderation in raw material prices during the current year, the government has decreased subsidy budget allocation in FY24 to Rs.1.75 lakh crore. The war in West Asia may keep natural gas prices elevated, driving fertilizer prices higher. The shortfall in the subsidy budget amid the volatile raw material prices may lead companies to resort to higher short-term borrowings to fund extended subsidy receivables. Regular intervention by the government to increase the subsidy budget, NPK nutrient rates, and minimum selling prices (MSP) help the sector to work in a regulated manner. Further, the fertilizer industry experienced a challenging Q3FY24 with external headwinds like below normal monsoons and lower crop sowing. The NBS rate for rabi season has shown a steep downward revision of ~48% as compared to kharif season 2024, which coupled with the rising raw material prices further impacted the industry performance.

Exposure of profitability 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 a natural hedge for its import payables, which exposes its profitability to adverse movement in foreign exchange rates. APIL registered forex loss of Rs.0.53 crore in FY23 (FY22: Rs. (0.22) crore).

Key strengths

Moderate albeit growing scale of operations

In Q3FY24, APIL's TOI declined by ~47% on y-o-y basis and ~54% on Q-o-Q basis from Rs.34.22 crore and Rs.39.15 crore respectively to Rs.18.05 crore. The decline was mainly owing to external headwinds such as steep decline in NBS subsidy rates coupled with below normal monsoon and lower crop sowing which resulted in decline in sales realization and volume. Further, in 9MFY24, TOI remained at Rs.102.75 crore as against Rs.105.24 crore in 9MFY23. CARE Ratings expects overall performance to remain subdued in FY24 owing to lower subsidy rate for rabi season and lower sales realization. Revision in subsidy rate for rabi season 2024 and higher subsidy allocation for coming kharif season will remain key rating monitorable.

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.

Comfortable capital structure

APIL's capital structure continues to remain comfortable with a below unity overall gearing at 0.79x as on March 31, 2023 (0.52x as on March 31, 2022). Owing to net losses in 9MFY24, capital structure moderated, however, the same continue to remain comfortable.

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 the overall business 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. The directors are supported by tier II staff.

Liquidity: Stretched

The liquidity position of APIL remained stretched with expected cash losses as against repayment obligations of Rs.1.29 crore in FY24 (Of which Rs.0.98 crore has already been repaid), almost full fund based working capital utilization reflecting low cushion in case of any exigency and elongated operating cycle with higher subsidy receivables. Average fund based working capital utilization remained almost full at 95% for past 12 months ended January 2024. The operating cycle of APIL remained elongated at 99 days in FY23. Further, free cash and bank balance also remained low at Rs.0.14 crore and Rs.0.18 crore as on March 31, 2023, and September 30, 2023 respectively. Furthermore, the cashflow from operations stood at negative Rs.8.24 crore in FY23 mainly owing to an increase in raw material levels and GST receivables followed by higher purchase near year end and increase in subsidy receivables. Subsidy receivables increased mainly owing to higher per unit subsidy rates and some delay in receipt of subsidies.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Fertilizer](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Fertilizers & Agrochemicals	Fertilizers

Indore based, Agro Phos (India) Limited (APIL: L24123MP2002PLC015285) was initially incorporated in 2001 as a partnership firm in the name of Agro (Phos) India by Mr. Raj Kumar Gupta and Mr. Virendra Kumar Gupta. Further, in 2002, it was converted into a private limited company and thereafter the company changed its constitution from a private limited to closely held public limited company in March 2004. Currently, APIL is listed on NSE. APIL is an ISO 9001:2008 certified company engaged in the manufacturing of P&K 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 Diammonium Phosphate (DAP), Urea, Ammonium Sulphate and other fertilizers depending upon the market conditions. The manufacturing facilities of APIL are located at Dewas and Meghnagar in Madhya Pradesh.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (Prov.)
Total operating income	116.30	131.02	102.75
PBILDT	9.02	10.50	(0.11)
PAT	5.83	5.00	(2.58)
Overall gearing (times)	0.52	0.79	NA
Interest coverage (times)	5.40	4.94	NM

A: Audited; Prov.: Provisional; NA: Not available; NM: Not meaningful; Note: 'the above results are latest financial results 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 reviewed the ratings assigned to the bank facilities of APIL under 'Non-Cooperation' category vide press release dated July 12, 2023.

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	27.25	CARE BB+; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	30-09-2024	0.40	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	16.00	CARE A4+

Annexure-2: Rating history for the 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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	27.25	CARE BB+; Stable	1)CARE BB+; Stable (23-Feb-24) 2)CARE BBB-; Stable (06-Dec-23)	1)CARE BBB-; Stable (20-Oct-22)	1)CARE BB+; Stable (17-Aug-21)	1)CARE BB+; Stable (29-Sep-20)
2	Non-fund-based - ST-Letter of credit	ST	16.00	CARE A4+	1)CARE A4+ (23-Feb-24) 2)CARE A3 (06-Dec-23)	1)CARE A3 (20-Oct-22)	1)CARE A4+ (17-Aug-21)	1)CARE A4+ (29-Sep-20)
3	Fund-based - LT-Working capital Term Loan	LT	0.40	CARE BB+; Stable	-	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the 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 for any clarifications.

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About us:

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