Agro Phos (India) Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	27.25	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	16.00	CARE A4+	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Agro Phos (India) Limited (APIL) continue to remain constrained on account of its moderate profitability and concentrated product portfolio. Ratings further remain constrained on account of its presence in the regulated industry along with agro-climatic risk, susceptibility of the profitability to the volatile raw material prices and foreign exchange fluctuation risk and stretched liquidity.

Ratings, however, derive strength from the experienced management with established presence in the fertilizer industry, established marketing & distribution network, moderate scale of operations, comfortable capital structure and moderate debt coverage indicators.

Rating assigned to the term loan has been withdrawn based on bank's no dues certificate shared by the company.

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 crore with profit before interest, lease, depreciation and tax (PBILDT) margin of 8% on a sustained basis
- Improvement in capital structure marked by overall gearing of below 0.5x
- Improvement in debt coverage indicators marked by PBILDT interest coverage of above 5x and total debt to gross cash accruals (GCA) of below 5x

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 PBILDT interest coverage of below 2x on sustained basis
- Deterioration in capital structure marked by overall gearing above unity

Analytical approach: Consolidated

Analytical approach has been revised from 'Standalone' to 'Consolidated' on the back of acquisition of 34.35% stake in Shri Tulsi Phosphate Private Limited (STPPL) in FY24. APIL and STPPL has common management and similar product profile. Details of entities consolidated are shown in **Annexure-6**.

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 key rating drivers:

Key weaknesses

Moderate profitability

APIL's PBILDT margin remained in the range of 7-8% in FY22-FY3. The same substantially impacted during H2FY24 owing to the downward revision in the subsidy rates along with moderation in the demand. Consequently, despite profitable operation in the H1FY24, APIL reported operating losses of Rs.5.75 crore in FY24.

With the up-ward revision in the subsidiary rates from H1FY25 along with the recovery in the demand, overall sales volume grew during 9MFY25, leading to the rationalisation of the overall cost level and improvement in the profitability marked by PBILDT and PAT margin of 7.04% and 3.45% respectively (9MFY24: -1.77% and 03.34%).

APIL reported GCA of Rs.4.17 crore in 9MFY25 (9MFY24: cash loss of Rs.2.15 crore) as against cash loss of Rs.8.77 crore in FY24.

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

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 wherein it derives ~85-90% of sales from single superphosphate (SSP) in last three years ended FY24 and 9MFY25.

Presence in regulated industry with agro-climatic risks
The profitability of fertiliser manufacturers is influenced by the regulations governing types of fertilisers, wherein, the government controls the fertiliser prices and provides subsidies. The quantum of subsidy receivables and delays associated with the receipt of the same inherently impacts the liquidity of the fertiliser industry, though differs with the type of fertilizer.
Lower subsidy budget may result lead companies to resort to higher short-term borrowings to fund the extended subsidy receivables. With the moderation in raw material prices in FY24, the government had reduced the subsidy budget to ₹1.9 lakh crore (FY23: ₹2.5 lakh crore) and further to ₹1.6 lakh crore for FY25. 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. The government is also planning to implement the second phase of direct benefit transfer (DBT) and is planning to explore the option of directly transferring the subsidy to the farmers' accounts, which can be beneficial for the fertilizer companies. However, it will have a substantial burden on the government finances, and accordingly, the rollout of the second phase of DBT may take some time.

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.
Furthermore, APIL does not have any sizeable exports to provide a natural hedge against its import payables, which exposes its profitability to adverse movement in foreign exchange rates. APIL registered forex loss of Rs.0.01 crore in FY24 (FY23: Rs. (0.53) crore).

Key strengths

Moderate scale of operations
TOI of APIL declined by 21% y-o-y to Rs.103.83 crore in FY24 owing to decline in the sales volume by ~10% (both manufacturing and trading) along with moderation in the sales realisation by ~12%. TOI was impacted significantly in H2FY24 due to downward revision in the subsidy rates and muted demand.
For 9MFY25, APIL reported TOI of Rs.78.23 crore backed by improvement in the sales realisation along with growth in the sales volume.

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 and moderate debt coverage indicators
APIL's capital structure continues to remain comfortable marked by overall gearing at 0.54x as on March 31, 2024 (0.79x as on March 31, 2023). However, overall debt coverage indicators deteriorated in FY24 due to operating loss which improved in 9MFY25 marked by PBILDT Interest coverage of 2x.

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 marked by negative cash flow from operation (CFO), almost full fund-based working capital utilization and elongated operating cycle. However, it has low debt repayment obligations against moderate GCA. Average fund based working capital utilization remained almost full for past 12 months ended January 2025. The operating cycle of APIL remain elongated at 132 days in FY24 as against 99 days in FY23. The same was on account of elongated inventory and debtor days. APIL has low free cash and bank balance of Rs.2.80 crore as on September 30, 2024. CFO stood at negative Rs.11.51 crore in FY24 owing to increase in subsidy receivables and inventory levels.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Consolidation
Fertilizer
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic 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 Diammoium 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, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	131.02	103.83	78.23
PBILDT	10.50	-5.75	5.51
PAT	5.00	-7.68	2.70
Overall gearing (times)	0.79	0.54	NA
Interest coverage (times)	4.94	NM	NA

A: Audited UA: Unaudited; NA: Not available; NM: Not meaningful; Note: these are latest available financial results; financials for FY24 has been restated considering change in subsidy recognition policy

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 25, 2024, due to non-availability of the requisite information.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	27.25	CARE BB+; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	30-09-2024	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	-	16.00	CARE A4+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	27.25	CARE BB+; Stable	-	1)CARE BB+; Stable (11-Mar-24) 2)CARE BB+; Stable (23-Feb-24) 3)CARE BBB-; Stable (06-Dec-23)	1)CARE BBB-; Stable (20-Oct-22)	1)CARE BB+; Stable (17-Aug-21)
2	Non-fund-based - ST-Letter of credit	ST	16.00	CARE A4+	-	1)CARE A4+ (11-Mar-24) 2)CARE A4+ (23-Feb-24) 3)CARE A3 (06-Dec-23)	1)CARE A3 (20-Oct-22)	1)CARE A4+ (17-Aug-21)
3	Fund-based - LT-Working capital Term Loan	LT	-	-	-	1)CARE BB+; Stable (11-Mar-24)	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of 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 details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Shri Tulsi Phosphate Private Limited	Moderate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Jignesh Trivedi Assistant Director **CARE Ratings Limited** Phone: 079-40265631 E-mail: jignesh.trivedi@careedge.in Darshini Shah Analyst **CARE Ratings Limited** E-mail: Darshini.Shah@careedge.in

About us:

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