

Rama Phosphates Limited

June 30, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable (Triple B; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3+ (A Three Plus) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB; Stable/CARE A3+' [Triple B; Outlook: Stable/ A Three Plus] assigned to the bank facilities of Rama Phosphates Ltd with immediate effect. The above action has been taken at the request of Rama Phosphates Ltd. and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter

RPL was promoted by Mr Daulat Jaisingh Ramsinghani and his family. He has experience of more than five-decades in the fertilizer industry. Mr H. D. Ramsinghani, currently the Chairman and Managing Director, has overall experience of more than three decades in the field of textile, petrochemicals and fertilizers. He is assisted by other qualified professional for the day-to-day management of the company.

Diversified product portfolio comprising phosphate fertilizers, sulphuric acid and soya based products

RPL has diversified product range of phosphate fertilizers consisting of Single Super Sulphate (SSP), mixed fertilizers namely nitrogen-potassium-phosphate (NPK), Zincated and Boronated Single Super Phosphate and micronutrients such as magnesium sulphate. The products of RPL are marketed in various states across the country under brand names viz. 'Girnar' and 'Suryaphool'. It also manufactures sulphuric acid, a key raw material used in manufacturing SSP at its plants in Indore and Pune, partly to meet its own requirements and also to sell in the market. RPL is also engaged in the manufacture of soya products such as soya oil, de-oiled cake etc.

Considerable presence of RPL in the SSP segment with strong distribution network

RPL has well established marketing network consisting of around 1,525 sales distributors across the states of Maharashtra, Madhya Pradesh, Rajasthan, Karnataka, Gujarat, Uttar Pradesh and Haryana who in turn supply to more than 12,500 dealers across the country. RPL has a strong brand recognition in these markets, which translates into a healthy market share for SSP in these states.

Improved operating performance in FY21

The TOI increased by 29.2% for FY21 as compared to FY20 driven by improved sales from soya division and Fertilizers in FY21 on account of normal Monsoon in FY21. Improved realization along with improved TOI resulted into significant growth in the PAT by 138.3% in FY21 as compared to FY20.

Comfortable capital structure and adequate debt coverage indicators

RPL's capital structure continues to remain comfortable with the overall gearing ratio of 0.10 times as on March 31, 2021 as compared to 0.24 times as on March 31, 2020, CARE believes that in the absence of debt funded capex going forward, the gearing is likely to remain comfortable with debt comprising of working capital borrowings. Significant reduction in the interest expense on account of reduced working capital utilization in FY21 and better profitability on account of improved margins led to substantial improvement in the interest coverage of RPL from 9.08 times during FY20 to 41.05 times during FY21. Other debt coverage ratios also improved as on March 31, 2021 on account of the same reason.

Key Rating Weaknesses

Regulated nature of Industry

The fertilizer industry in India is highly regulated in nature with intervention of the Government of India in fixation and release of the subsidy amount. Thus, various government policies and subsidy fixation have an impact on the prospects of the industry players. The implementation of Direct Benefit Transfer (DBT) by the government for fertiliser subsidies across the country has improved the timeline of subsidy payable to the company.

Exposure to volatility in raw material prices and foreign exchange rates

The company imports a large portion of its raw material (rock phosphate) from foreign market, the prices of which are volatile due to its linkage with international prices. The company hedges around 25% of import for forex fluctuation through forward contract arrangement with the rest exposed to forex fluctuation risk.

Dependence of operation on the vagaries of monsoon

Both the oil and fertilizer business are related to agriculture and are dependent on monsoon. The erratic behaviour of rainfall could affect the prospects of both the divisions.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology - Manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

[Short Term Instruments](#)

About the company

Rama Phosphates Limited was incorporated on September 03, 1984 by Mr D. J. Ramsinghani and family to manufacture phosphate-based fertilizers. Subsequently, the company also ventured into manufacturing of soya oil. Currently, the company has three manufacturing facilities based in Pune (Maharashtra), Indore (Madhya Pradesh) and Udaipur (Rajasthan). The company also undertakes manufacturing and trading activities in industrial chemicals viz. Sulphuric Acid and Magnesium Sulphate.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	449.66	581.07
PBILDT	25.15	63.03
PAT	17.67	42.11
Overall gearing (times)	0.24	0.10
Interest coverage (times)	9.08	41.05

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

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 for this company: Please refer Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Fund-based - LT-Proposed fund based limits	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable (05-Jan-21)	1)CARE BBB; Stable (25-Dec-19)	1)CARE BBB-; Stable (07-Jan-19)
2.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (07-Jan-19)
3.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A3+ (05-Jan-21)	1)CARE A3+ (25-Dec-19)	1)CARE A3 (07-Jan-19)
4.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A3+ (05-Jan-21)	1)CARE A3+ (25-Dec-19)	1)CARE A3 (07-Jan-19)
5.	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)CARE BBB; Stable (05-Jan-21)	1)CARE BBB; Stable (25-Dec-19)	1)CARE BBB-; Stable (07-Jan-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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Proposed fund based limits	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple
4.	Non-fund-based - ST-Letter of credit	Simple

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.

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