

AMRUTH ORGANIC FERTILIZERS
APRIL 04, 2018
Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	10.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B+; Stable (Single B plus; Outlook: Stable) on the basis of best available information.
Total	10.00 (Rupees ten crore only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Amruth Organic Fertilizers to monitor the rating vide e-mail communications dated February 01, 2018, February 10, 2018 and February 17, 2018 and numerous phone calls. However, despite our repeated requests, the firm has not paid the requisite surveillance fee for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of available information which however, in CARE's opinion is not sufficient to arrive at fair rating. Further, Amruth Organic Fertilizers has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Amruth Organic Fertilizers bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings assigned to the bank facilities of Amruth Organic Fertilizers continue to remain constrained by its small scale of operations with fluctuating total operating income, leveraged capital structure and weak debt coverage indicators, elongated operating cycle, Constitution of the entity as partnership firm with inherent risk of withdrawal of capital and high competition due to fragmented nature of the industry. The rating also takes into account increase in profitability margins in FY17 (refers to the period April 01 to March 31).

The rating, however, continues to derive strength from satisfactory track record and experienced partners and stable demand of organic fertilizers.

Going forward, the ability of the firm to increase its scale of operations and improve the profitability margins, capital structure and debt coverage indicators along with efficient management of working capital requirements remains the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating weakness
Small scale of operations with fluctuating total operating income

The scale of operations of the firm is small marked by total operating income (TOI) of Rs.11.46 crore in FY17 with low net worth of Rs.0.73 crore as on March 31, 2017 as compared to other peers in the industry.

However, the total operating income of the firm has decreased from Rs.12.83 crore in FY16 to Rs. 11.46 crore in FY17.

Leveraged capital structure and weak debt coverage indicators

The debt to equity ratio and overall gearing ratio of the firm has deteriorated from 0.00x and 6.60x respectively as on March 31, 2016 to 5.22x and 9.92x respectively as on March 31, 2017 due to increase in total debt.

Total Debt to GCA deteriorated from 13.41x in FY16 to 16.91x in FY17 on account of increase in total debt as on March 31, 2017. The interest coverage ratio of the company stood at 1.82x in FY 17 deteriorated from 1.90x in FY 16.

Elongated Operating cycle

The operating cycle of the firm has elongated and stood at 150 days in FY17 as compared to 85 days in FY16 mainly on account of increase in average collection period from 88 days in FY 16 to 163 days in FY17.

Constitution of the firm as partnership firm

Constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency which can affect its capital structure. Furthermore, the partnership concern has restricted access to external borrowing which limits their growth opportunities to some extent.

High competition due to fragmented nature of the industry

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

* Issuer did not cooperate; Based on best available information

The fertilizers industry in which the firm operates is highly fragmented and competitive marked by the presence of numerous players across India. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability.

Key rating strengths**Satisfactory track record and experienced partners**

AOF have satisfactory track record of 7 years. AOF is promoted by Mr K Nagaraj (Managing Partner), along with his spouse Ms K Padmavathi. Both the partners are qualified graduates and have around one decade of experience in organic fertilizer industry. The operations of the firm is well supported by the other employees who are well qualified.

Increase in profitability margins

The PBILDT margin of the firm has increased from 5.01% in FY16 to 8.34% in FY17 due to decrease in cost of raw material cost and employee cost.

Despite increase in interest and depreciation cost, the PAT margin of the firm is increased from 1.63% in FY16 to 2.37% in FY17 due to increase in PBILDT level in absolute terms.

Stable demand of organic fertilizers

Fertilizers play an important role in increasing efficiency of agricultural output. With the strengthening of pricing control policies and reforms, the fertilizers market is expected to be regulated soon in India. The major factors which are driving the growth of the agricultural fertilizers market in India is increased demand of food grains. Fertilizers are used as the most important input after seeds as they help in increasing the agricultural production. Fertilizer production has increased over time due to land scarcity and increased demand for agricultural products.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

[Rating Methodology-Manufacturing Companies](#)

About the Firm

Amruth Organic Fertilizers (AOF) is a certified ISO 9001:2008 firm which was established in the year 2011. The firm is promoted by Mr K Nagaraj and his spouse Ms K Padmavati. AOF is engaged in manufacturing of organic fertilizers of around 25 varieties under different quantities. The firm sells its product under the brand name "Amruth". The clientele of the firm includes local traders like Aruna Enterprises, Karthik Enterprises, Ramanjaneya Agencies and Horticulture department of Karnataka. The firm purchase raw material like granules, poultry manure, vermi compost powder and maize gluten powder etc from local suppliers like B S R Poultry Farm, G M Sugar Energy Limited and M R Poultry farms among others.

In FY17, AOF had a Profit after Tax (PAT) of Rs. 0.27 crore on a total operating income of Rs. 11.46 crore, as against PAT and TOI of Rs.0.21 crore and Rs. 12.83 crore, respectively, in FY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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.

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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.

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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

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-Term Loan	-	-	September 2024	4.30	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	5.70	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information

*Issuer did not cooperate; based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	4.30	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (17-May-17)	-	-
2.	Fund-based - LT-Bank Overdraft	LT	5.70	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (17-May-17)	-	-

*Issuer did not cooperate; based on best available information

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