

Agro Phos India Limited

April 03, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	15.00	CARE BB+;Stable; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable ; ISSUER NOT COOPERATING)*	“Issuer not cooperating; Based on best available information”
Short term Bank Facilities	6.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ; ISSUER NOT COOPERATING)*	“Issuer not cooperating; Based on best available information”
Total	21.00 (Rupees Twenty One crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Agro Phos India Limited (APIL) to monitor the rating(s) vide e-mail communications/letters dated January 8, 2019, February 5, 2019 and February 28, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, APIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. APIL's bank facilities will now be denoted as CARE BB+/A4+; 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(s).

The ratings, further, continue to remain constrained on account of risk associated with availability of raw material and foreign exchange rate fluctuation, dependency of revenue on climate condition and continuous reduction in subsidy for Single Super Phosphate (SSP) by the government led decrease in profitability margins.

The ratings, however, continue to draw strength from experienced management with established track record of operations and established marketing network with reputed customer base. The ratings, further, continue to derive strength from its financial risk profile marked by moderate profitability margin and comfortable solvency position.

The company's ability to increase its scale of operations by increasing the sales volume while maintaining its profitability in the light of volatile prices of its raw materials, particularly rock phosphate, along with efficient working capital management would be key rating sensitivities. Further, any changes made by the Govt. in its policy with respect to SSP industry in future would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Tightening of liquidity position

The debtors level has increased as on March 31, 2018 and further elongated on September 30, 2018. Furthermore, inventory level has also increased from Rs.12.93 crore as on March 31, 2017 to Rs.15.42 crore as on March 31, 2018 to Rs.20.29 crore as on September 30, 2018.

This has led to significant elongation in operating cycle from 91 days as on March 31, 2017 to 142 days as on March 31, 2018.

Due to higher debtors and inventory level, its working capital facility has remained almost fully utilized for last 12-months ended September 30, 2018 and reflecting tightening of the liquidity position of the company.

Risk regarding availability of raw material and foreign exchange rate fluctuation risk

Rock phosphate is a scarce material in India with its reserves concentrated in Rajasthan, Madhya Pradesh and Uttar Pradesh. Beneficiated Rock Phosphate (BRP) or high grade rock phosphate is an essential raw material used in the manufacturing of phosphatic fertilizers including SSP, is not presently available in large quantity in India and that too

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

*Issuer did not cooperate; Based on best available information

portion of high grade rock is limited. Due to lower availability of rock phosphate in India, India imports rock phosphates from countries like Egypt, Bangladesh, Morocco, US, Middle East and China. However, APIL has long term agreement for procurement of low grade rock phosphate with Madhya Pradesh State Mining Corporation Limited (MPSMCL, a Govt. of Madhya Pradesh enterprise), Rajasthan State Mines and Minerals Limited (RSMML, a Govt. of Rajasthan enterprise). Further, the profitability of the company is exposed to volatile foreign exchange rate as it imports part of its material from countries like Egypt, Bangladesh, Morocco, US, Middle East and China and it partially hedges foreign exchange exposure.

Dependency of revenue on climate condition

The demand for fertilizers in general is influenced by the climatic conditions i.e. level of monsoons. In times of bad monsoons, off-take would be limited and stocks would pile up. This may result into increase in its working capital requirement and adversely affect the profitability margins of the company.

Key Rating Strengths

Experienced management with established track record of operations

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

Established marketing network with reputed customer base

AIPL has appointed 250 dealers, 18 marketing team and 12 warehouses for sale of its products. Further, the company has entered into marketing arrangement for its products SSP as well as GSSP and NPK with Indian Potash Limited (IPL) for supply of minimum 40000 MTPA of SSP as well as GSSP and 25000 MTPA of NPK. The company directly supplies its major output of SSP as well as GSSP and NPK to IPL's dealer network. The product is sold by IPL under their brand name "IPL".

Further, the company also sells its products directly under its own brand name of "Smridhhi", "Swaraj" and "Ratna" through its dealer network mainly in Madhya Pradesh and Chhattisgarh.

Moderate profitability margin and comfortable solvency position

During FY18, Total Operating Income (TOI) has declined by 7.04% over FY17 owing to lower sales of SSP (Single Super Phosphate) and sales realization owing to reduction in subsidy. The profitability margins of the company have also declined with PBILD margin and PAT margin at 8.78% and 1.49% respectively in FY18 as against 10.70% and 1.85% respectively in FY17.

On the other hand, the capital structure stood comfortable with an overall gearing of 0.49 times as on March 31, 2018 as against 0.61 times as on March 31, 2017.

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](#)

[Criteria on Short Term Instruments](#)

[Criteria for -Manufacturing Companies](#)

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

About the company

Indore (Madhya Pradesh) based 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, partnership firm is converted into private limited company and thereafter the company changed its constitution from private limited to closely held public limited in March, 2004. Further, in November 2016, the company has listed its shares on NSE Emerge platform.

APIL is an ISO 9001:2008 certified company, engaged in 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. The company is also engaged in trading of fertilizers like Diammonium Phosphate (DAP), Urea and Ammonium Sulphate and others depending upon the demand of the customers. The manufacturing facilities of the company are located at Dewas and Meghnagar, Madhya Pradesh. At Dewas, It has total installed capacity of 45000 Metric Tonnes Per Annum (MTPA) of SSP, 30000 MTPA of GSSP and 15000 MTPA of NPK and at Meghnagar, it has total installed capacity of 1,15,000 MTPA of SSP, 60000 MTPA of GSSP and 36000 MTPA of NPK as on March 31, 2018.

Rs. in crore)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	64.86	60.10
PBILDT	6.94	5.28
PAT	1.20	0.90
Overall gearing (times)	0.61	0.49
Interest coverage (times)	2.27	2.02

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: None

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.

Disclaimer

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-Cash Credit	-	-	-	15.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	6.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; 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-Cash Credit	LT	15.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB+; Stable (18-Oct-18) 2)CARE BBB-; Stable (02-Apr-18)	1)CARE BBB-; Stable (13-Apr-17)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4+ (18-Oct-18) 2)CARE A3 (02-Apr-18)	1)CARE A3 (13-Apr-17)	-	-

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