

Agro Phos (India) Limited

August 23, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	17.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed and removed from Issuer Not Cooperating
Short-term Bank Facilities	6.00	CARE A4+ (A Four Plus)	Reaffirmed and removed from Issuer Not Cooperating
Total facilities	23.00 (Rs. Twenty three Crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

The ratings assigned to bank facilities of Agro Phos (India) Limited (APIL) continue to remain constrained on account of its fluctuating scale of operations with moderate profitability margins and stressed liquidity position. The ratings, further, continue to remain constrained on account of dependency of revenue on climate condition with risk regarding availability of raw material, highly regulated industry and foreign exchange rate fluctuation risk.

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 moderate solvency position.

The company's ability to increase its scale of operations while maintaining/improvement of profitability margins 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*****Fluctuating scale of operations with moderate profitability margins***

Total Operating Income (TOI) of the company has witnessed fluctuating trend in last four financial years ended FY19 owing to change in demand as well as dependency on monsoon and dependency on tenders for supply to co-operative federation societies. During FY19, Total Operating Income (TOI) has increased by 22.40% over FY18 mainly on account of higher demand of fertilizers and NPK.

Further, profitability margins of the company stood moderate with PBILDT margin of 7.24% and PAT margin of 1.15% in FY19. However, PBILDT margin of APIL has declined by 173 bps over FY18 mainly on account of higher trading activity as well as increase in raw material cost which offset to an extent with low selling and other expenses. With decline in PBILDT margin, PAT margin of the company has also declined by 116 bps in FY19 over FY18, although lower in quantum as compared to decline in PBILDT margin owing to low depreciation and interest cost as a percentage of TOI. Further, GCA of the company has declined and stood at Rs.2.36 crore in FY19 as against Rs.2.71 crore in FY18.

In Q1FY20, it has registered TOI of Rs.13.41 crore with PBILDT and PAT margin of 8.95% and 2.16% respectively.

Stressed liquidity position

The liquidity position of the company stood stressed owing to elongated operating cycle of 135 days in FY19 and almost full utilization of its working capital bank borrowings in last twelve month ended June 2019. Further, during March 2019, the company took ad-hoc limit of Rs.0.50 crore which was cleared in April 2019. The operating cycle of the company stood elongated owing to delayed payment from its customers. Further, it maintains higher inventory owing to scarcity of raw material in India. Due to high debtors, the liquidity ratios of the company stood moderate with current ratio and quick ratio stood at 1.77 times and 1.16 times respectively as on March 31, 2019. It has generated cash flow from operating activities of Rs.2.48 crore in FY19 declined from Rs.3.92 crore owing to increase in inventories as well as decrease in creditors which offset to an extent with receipt of payment from customers and subsidy receivable. It has cash & bank balance of Rs.1.03 crore as on March 31, 2019. The company envisaged GCA of Rs.2.36 crore in FY20.

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

Rock Phosphate being one of the important raw material for manufacturing phosphatic fertilizers including SSP, is not presently available in large quantity in India and that too portion of high grade rock is limited. India meets almost 85% of its rock phosphate requirement through imports, even though the country, according to the Geological Survey of India, has an

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

estimated 250 Million Tonnes (MT) reserves with 150 MT of it is expected to be in the fertilizer grade. India is dependent on imported feedstock (rock phosphate, phosphoric acid), as domestic capacities have not matched the growth in demand. APL import Rock Phosphate mainly from Egypt, and Jordan. Due to the limitation of source of rock phosphate and availability issue, the prices of rock phosphate has witnessed fluctuating trend, also rising trend in the price of rock phosphate in the international market, the availability of rock phosphate for manufacturing of SSP has been affected.

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, director, has around one decade of experience in the industry and looks after production and finance function of the company.

Established marketing and distribution network of its Products

The company sells its products to cooperative societies as well as dealers located in Madhya Pradesh, Maharashtra and Chhattisgarh. The company sells its products under its own brand name of "Smriddhi", "Swaraj" and "Ratna". APL has appointed around 200 dealers, 18 marketing team and 12 warehouses for sale of its products. It also sales its product through Indian Potash Limited

Moderate solvency position

APIL's capital structure stood comfortable with an overall gearing of 0.55 times as on March 31, 2019, remained stagnant over last financial year owing to increase in term loans and high working capital bank borrowings offset by accretion of profit to reserve. Further, the debt service coverage indicators stood moderate marked by total debt/GCA of 8.11 times as on March 31, 2019, deteriorated from 6.81 times as on March 31, 2018 mainly on account of decline in gross cash accruals as well as increase in total debt. Furthermore, interest coverage ratio of the company stood moderate at 2.02 times in FY19.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Fertilizer](#)

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

About the Company

Indore (Madhya Pradesh) based Agro Phos (India) Limited (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. As on March 31, 2019, it has shifted from NSE SME platform to NSE Platform.

APIL is engaged in manufacturing of fertilizers such as Single Super Phosphate (SSP), Nitrogen Phosphate and Potassium (NPK), Zinc Sulphate (ZS), 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 agriculture commodities. The manufacturing facilities of the company are located at Dewas and Meghnagar, Madhya Pradesh. At Dewas, it has total installed capacity of 63000 Metric Tones Per Annum (MTPA) which comprises of 45000 MTPA of SSP, 15000 MTPA of NPK and 3000 MTPA of ZS and at Dewas, installed capacity of Meghnagar plant comprises of 115500 MTPA of SSP, 36000 MTPA of NPK, 36000 MTPA of ZS.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	58.90	72.09
PBILDT	5.29	5.22
PAT	1.36	0.83
Overall gearing (times)	0.54	0.55
Interest coverage (times)	2.02	2.02

*A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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

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	-	-	-	17.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	6.00	CARE A4+

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	17.00	CARE BB+; Stable	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Apr-19)	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+	1)CARE A4+; ISSUER NOT COOPERATING* (03-Apr-19)	1)CARE A4+ (18-Oct-18) 2)CARE A3 (02-Apr-18)	1)CARE A3 (13-Apr-17)	-

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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