

Amruth Organic Fertilizers

September 21, 2020

Ratings

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|-------------------------------|--|---|
| Long Term Bank Facilities | 10.00 | CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*) | Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information |
| Total Facilities | 10.00 (Rs. Ten Crore Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 09, 2019, placed the rating(s) of Amruth Organic Fertilizers (AOF) under the 'issuer not cooperating' category as AOF had failed to provide information for monitoring of the rating. AOF continues to be non-cooperative despite repeated requests for submission of information through phone calls and e-mails dated August 31, 2020 to September 04, 2020. 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.

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 have been revised on account of non-availability of last three year financials.

Detailed description of the key rating drivers

At the time of last press release dated July 09, 2019 the following were the rating strengths and weaknesses:

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. The 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

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.

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

Key rating strengths

Satisfactory track record and experienced partners

AOF have satisfactory track record of 7 years. AOF is promoted by Mr K Nagaraja (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 are 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 – Fertilizer 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 Nagraj and his spouse Ms. K Padmavathi. 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.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 12.83 | 11.46 |
| PBILDT | 0.64 | 0.96 |
| PAT | 0.21 | 0.27 |
| Overall gearing (times) | 6.60 | 9.92 |
| Interest coverage (times) | 1.90 | 1.82 |

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

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 C; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Bank Overdraft | - | - | - | 5.70 | CARE C; Stable; ISSUER NOT COOPERATING* |

*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 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Term Loan | LT | 4.30 | CARE C; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (09-Jul-19) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Apr-18) | 1)CARE B+; Stable (17-May-17) |
| 2. | Fund-based - LT-Bank Overdraft | LT | 5.70 | CARE C; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (09-Jul-19) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Apr-18) | 1)CARE B+; Stable (17-May-17) |

*Issuer did not cooperate; based on best available information

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-Bank Overdraft | Simple |
| 2. | Fund-based - LT-Term Loan | 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

Contact us

Media Contact

Mradul Mishra

Contact no- +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Ms. Kalpana Chaudhary

Group Head Contact no - 080-46625547

Group Head Email ID- kalpana.choudhary@careratings.com

Business Development Contact

Name: Mr. Nitin Kumar Dalmia

Contact no. : 080- 4662 5526

Email ID: nitin.dalmia@careratings.com

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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**