Rama Phosphates Limited

November 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	50.50	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	Assigned
Short-term Bank Facilities	22.00	**CARE A3 (A Three)**	Assigned
Total Facilities	**72.50 (Rupees Seventy Two crore and Fifty lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Rama Phosphates Limited (RPL) derive strength from experience of the promoters in Single Super Phosphate (SSP) segment of the fertilizer industry with a diversified product portfolio, established brand image, wide distribution network and diversified clientele base. The ratings also take into account moderate scale of operation, comfortable capital structure and debt coverage indicators.

The rating strengths are partly offset by RPL's working capital intensive operations owing to dependence of subsidy from government, low profitability due to subdued performance of soya oil division and susceptibility of profitability to volatility in raw material prices & foreign exchange fluctuations. The rating strengths are also tempered by regulated nature of the fertilizer industry and dependence of operation on the vagaries of monsoon.

Any adverse change in government regulations and any major debt-funded capex plans are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: RPL is promoted by Mr D. J. Ramsinghani and family, possessing an experience of more than three decades in manufacturing of phosphate based fertilizers and soya oil. He is assisted by other qualified professional for managing the day to day management of the company.

Diversified product portfolio in phosphate fertilizer with strong distribution network: RPL has diversified product range of phosphate fertilizers consisting of SSP, mixed fertilizers namely nitrogen-potassium-phosphate (NPK), and micronutrients such as magnesium sulphate. During FY2016-17(refers to the period April 01 to March 31) RPL has also added fortified fertilizer such as zincated and boronated SSP.

RPL has well-established marketing network consisting of around 1,200 distributors across the states of Maharashtra, Madhya Pradesh, Rajasthan and Haryana. The products under the fertilizer segment of RPL are marketed in various states of the country under brand name of "Girnar" and "Suryaphool" whereas the soy oil is sold under the brand name "Sufla".

Moderate scale of operation with diversified clientele: The total operating income (TOI) of RPL remained at moderate level at around Rs.380-400 crore during the period FY2014-15 to FY2016-17. Furthermore, RPL's client profile is fairly diversified with top-10 customers forming only 17% of TOI during FY2015-16 and FY2016-17 leading to low concentration risk.

Comfortable capital structure and adequate debt coverage indicators: RPL's capital structure remained comfortable owing to low reliance on external debt resulting in below unity overall gearing ratio. Furthermore, with stable profitability and low interest cost, debt coverage indicators remained at a moderate level.

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

Key Rating Weaknesses

Working capital intensive nature of operations: Prolonged time required for collection of subsidy from the government resulted in lengthy collection period translating into a stretched operating cycle for the company. The gross current asset days remained high at over 200 days during the period FY2014-15 to FY2016-17. However, the entity gets sufficient credit period from its suppliers resulting in moderate working capital utilisation by the company.

Low profitability: Owing to losses incurred in the soya oil division at operating level, the blended profit before interest lease depreciation and tax (PBILDT) margin of the company remained low at around 6-7% during FY2015-16 and FY2016-17. However, owing to low depreciation and interest costs, net profitability remained at over 2% during the said period.

Regulated nature of Industry: The fertilizer industry in India is highly regulated in nature with intervention of the Government of India (GoI) 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. However, the Government has now introduced direct benefit transfer (DBT) for fertilizer subsidies in some states and union territories and the target is to cover the entire country by January 2018.

Exposure to volatility in raw material prices and foreign exchange rates: The company imports a large portion of its raw material (rock phosphate) prices of which are volatile due to its linkage with international prices. RPL 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

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Rating Methodology-Fertilizer Companies
Financial ratios – Non-Financial Sector

About the Company

RPL was incorporated on September 03, 1984 by Mr D. J. Ramsinghani and family to manufacture phosphate-based fertilizers and sulphuric acid. Subsequently, the company also ventured into manufacturing of soya oil and trading of industrial chemicals, viz, sulphuric acid, magnesium sulphate and sulphur. Currently, RPL has three manufacturing facilities based in Pune (Maharashtra), Indore (Madhya Pradesh), and Udaipur (Rajasthan). The total installed capacity of the fertilizer division is 5.63 lakh metric tonnes (LMT) and that of sulphuric acid is 1.83 LMT. The company's soya oil division is situated at its Indore plant in Madhya Pradesh with average crushing capacity of 400 tonnes per day (TPD) and refining capacity of 100 TPD.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	390.07	377.10
PBILDT	25.76	23.83
PAT	8.07	8.24
Overall gearing (times)	0.57	0.52
Interest coverage (times)	2.42	2.72

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

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.*

Analyst Contact:
Name: Mr Nitin Jha
Tel: 022 6754 3676
Email: nitin.jha@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.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 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 Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	March 2018	0.50	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	21.51	CARE A3
Non-fund-based - ST-Bank Guarantees	-	-	-	0.49	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date & Rating assigned in 2017-2018	Date & Rating assigned in 2016-2017	Date & Rating assigned in 2015-2016	Date & Rating assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	50.00	CARE BBB-; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	0.50	CARE BBB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Letter of credit	ST	21.51	CARE A3	-	-	-	-
4.	Non-fund-based - ST-Bank Guarantees	ST	0.49	CARE A3	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms.Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691