

Press Release

Blue Phosphate Limited

April 28, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.42.00 Cr
Long Term Rating	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA BB-**' (read as SMERA double B minus) and reaffirmed the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 42.00 cr bank facilities of Blue Phosphate Limited (BPL). The outlook is '**Stable**'.

The rating has been downgraded in view of the deterioration in the financial risk profile of the company marked by lower than expected revenue and profitability and stretched liquidity position.

Blue Phosphate Limited (BPL) is an Udaipur-based company incorporated in 2009. Promoted by Mr. Kayum R. Dhanani, Mr. Anil Sethia and Mr. Zafar Ullah Khan, the company is engaged in the manufacture of powdered Single Super Phosphate (SSP) and Granular Single Super Phosphate (GSSP) at Udaipur, Rajasthan. The company commenced production in March, 2015.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The promoters, Mr. Anil Kumar Sethia, Mr. Zafar Ullah Khan and Mr. Kayum R. Dhanani have extensive experience of around three decades in the fertiliser industry.

Proximity to raw material sources: The major raw material required for SSP fertilizer is rock phosphate and sulphuric acid. BPL is located at Udaipur, Rajasthan in close proximity to reputed companies that deal in rock phosphate and sulphuric acid. Rock phosphate is expected to be procured from Rajasthan State Mines and Minerals Limited (RSMML) while sulphuric acid will be sourced from Hindustan Zinc Limited.

Weaknesses:

Limited track record of operations: The company was incorporated in 2009, however, commercial operations for powdered single super phosphate (SSP) commenced from 15th March, 2015 and that for granular single super phosphate from July, 2015. The company reported revenue of Rs. 22.69 cr in FY2015-16. Further, as per the management, BPL achieved sales of Rs. 43.51 cr (provisional) during FY2017 (10 M). Hence, the company's operations are at modest scale due to limited track record of operations.

Stretched liquidity position: BPL has stretched liquidity as evident from the average cash limit utilisation of around 99.31 per cent from June, 2016 to November, 2016 owing to working-capital intensive operations. The company maintains high level of finished goods and raw material leading to high level of inventory days which stood at 440 for FY2015-16.

Vulnerability to agro-climatic conditions: BPL's operating performance is highly dependent on the monsoon. Thus, fertiliser sales may get negatively impacted in case of deficiency in rainfall.

Susceptibility of profitability to volatility in raw material prices and forex rates: The raw material prices being highly volatile can impact profitability margins. Further, the company is also exposed to fluctuations in forex rates as the company imports around 60 percent of its raw material requirement from Egypt and UAE.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that BPL will maintain a stable outlook over the medium term on account of its experienced management and modest order book position. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenue and profit margins while effectively managing its working capital. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability margins or deterioration in its capital structure and liquidity position.

About the Rated Entity-Key Financials

For FY2015-16, BPL reported net loss of Rs.3.06 cr on operating income of Rs.22.69 cr as against profit after tax of Rs.2.32 cr on operating income of Rs.0.22 cr in FY2015. The net worth stood at Rs.16.45 cr as on March 31, 2016 as against Rs. 14.41 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable): Not applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	8.00	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)	Dec 04, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Term Loan	LT	10.50 (reduced from Rs. 12.00 crore)	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)	Dec 04, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Letter of Credit	ST	15.00 (reduced from Rs. 20.00 crore)	SMERA A4 (Reaffirmed)	Dec 04, 2015	SMERA A4 (Assigned)	-	-	-	-
Proposed Fund based	LT	8.50	SMERA B+ (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	8.00*	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Term Loan	N.A	N.A	April, 2021	10.50 (Reduced from Rs. 12.00 Cr.)	SMERA B+/Stable (Downgraded from SMERA BB-/Stable)
Letter of Credit	N.A	N.A	N.A	15.00^ (Reduced from Rs. 20.00 Cr.)	SMERA A4 (Reaffirmed)
Proposed	N.A	N.A	N.A	8.50	SMERA B+/Stable (Assigned)

*Fully interchangeable with EPC/FBD.

^Includes sublimit of Rs. 2.00 crore Bank Guarantee

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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