

Press Release

Blue Phosphate Limited

November 25, 2021



Rating Assigned

Product	Net Quantum (Rs. Cr)	Withdrawn Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	0.00		ACUITE A3+ Assigned
Bank Loan Ratings	30.00	0.00	ACUITE BBB Stable Assigned	
Total	40.00	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating to **ACUITE A3+** (read as **ACUITE A three plus**) to the Rs.40.00 crore bank facilities of Blue Phosphate Limited (BPL). The outlook is '**Stable**'.

The rating on BPL takes into account the sound business risk profile of the Blue Deebaj Group as reflected in its healthy operating margin aided by integrated nature of operations and an established relationship with customers and suppliers. Further, it is also supported by the management's long track record in the sector, and healthy financial position characterized by low gearing and strong debt coverage indicators. The rating also draws comfort from the surge in government subsidies under the Aatma Nirbhar Bharat Package 3.0 in November 2020. These strengths are however, partly offset by the working capital intensity in group's operations, regulatory risks and vulnerability to timely receipt of subsidies.

About the Company

Incorporated in 2009- Blue Phosphate Limited (BPL), is Udaipur (Rajasthan) based company engaged in manufacturing of powdered single super phosphate (SSP) and granular single super phosphate (GSSP) and other fertilizers. It is owned by Dhanani family, Mr Zafar Ullah Khan and Transworld Furtichem Pvt Ltd (TFPL).

About the Group

Transworld Furtichem Private Limited (TFPL) was incorporated in 2004 and is engaged in manufacturing and export of wide range of fertilizers comprising of granulated fertilizers such as Nitrogen-phosphorous-potassium (NPK) mixture fertilizers, Potassium Sulphate (a Potassic Fertilizer) and other products such as sulphuric acid oleum with state of art production facility. It is a government recognised three star export house with plant locations at Roha, Kandla and Mangalore.

Blue Deebaj FZCO was established in the year 2008 as a Free Zone Company with Limited Liability under the Jebel Ali Free Zone Authority. The company is involved in the business of manufacturing and trading of chemical fertilizers, agricultural and veterinary pesticides. It has manufacturing, procurement, and marketing offices in Sri Lanka, UAE, Malaysia, Mozambique, Malawi and Zambia.

The group caters to domestic as well as global market of UAE, Malawi, Iraq, Malaysia, Rwanda, Jordan, Mozambique, Sri Lanka, Morocco, Kuwait etc. The Indian entities import and export its goods through Kandla and Neva Sheva port.

Analytical Approach

For arriving at the ratings, Acuité has consolidated business and financial risk profiles of Blue Phosphate Limited (BPL), Transworld Furtichem Private Limited (TFPL) and Blue Deebaj FZCO (BDFZCO), hereinafter referred to as the Blue Deebaj Group (BDG). The consolidation is in view of common management, intercompany holdings, operational linkages between the entities and a similar line of business. Acuité has changed its analytical approach to consolidate from earlier standalone approach owing to increased financial linkages with group companies. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management along with operational and financial support**

The group is promoted by Dhanani Group which has over five decades of experience in the field of fertilizers, chemicals, packaging and mineral based industries. Their experience and funding support would remain instrumental in aiding the business and the liquidity profile of the group over the medium term. In addition, TFPL operations are supported by Blue Deebaj FZCO (one of the shareholders in TFPL) owing to operational synergies and financial support by way of corporate guarantees for TFPL's loans.

- **Sound operating efficiencies**

Although the overall revenue of the group declined to Rs.777.11 Cr in FY2021 as compared to revenues of Rs.1025.25 Cr in FY2020, the integrated nature of operations of the group, large economies of scale and experienced management have helped operating efficiencies improve, with the operating margin rising to around 9.23 per cent in FY 2021, from 4.97 per cent in FY 2020. The PAT margins stood at 2.82 per cent in FY2021 as against 0.70 per cent as on FY2020. The RoCE levels stood moderate at 6.28 per cent in FY2021 as against 4.06 per cent in FY2020. The profitability margin of the group improved due to stable business risk profile of BPL and TFPL which helped in fetching higher margins along with surge in subsidies and cost optimization in FY2021. The group has already achieved revenues of 535.42 Cr (Provisional) till September 2021, mainly supported by the sharp increase in fertilizer prices during the period.

- **Healthy financial risk profile**

The group's healthy financial risk profile is marked by healthy networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the group dipped to Rs.524.72 Cr as on March 31, 2021 from Rs.657.50 Cr as on March 31, 2020 due to withdrawal of capital during the period. Gearing of the group stood comfortable at 0.44 times as on March 31, 2021 as against 0.43 times as on March 31, 2020. The debt of Rs.230.31 Cr consists of working capital from the bank of Rs.214.91 Cr, long term debt of Rs.9.96 Cr, current maturity of long term loan of Rs.4.61 Cr, and unsecured loan of Rs.0.83 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.75 times as on March 31, 2021 as against 0.73 times as on March 31, 2020. Reason for strong credit metrics is group's shifting reliance on Pre-shipment credit on foreign Currency which is a sublimit of Cash credit, and has subsequently resulted into low financial cost. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 3.05 times as on March 31, 2021 and Debt Service Coverage Ratio at 2.28 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.19 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the group will remain healthy over the medium term, in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operation**

The working capital management of the group is marked by Gross Current Assets (GCA) of 330 days in 31st March 2021 as compared to 252 days in 31st March 2020. The high level of GCA days is on account of high level of other current assets consisting of advance given to other group companies for acquisition of shares, and insurance claim receivable. Further, the inventory period also stood high at 169 days in 31st March 2021 as compared to 127 days in 31st March 2020. However, the debtor period stood moderate at 74 days as on 31st March 2021 as compared to 80 days as on 31st March 2020. The debtor cycle is high as a certain per cent of the price of fertilizers is received as subsidy from the government after raising the bill. Moreover, in FY20, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a countrywide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. The credit terms of the group depends on the crop cycle of the particular region. Acuité believes that the working capital operations of the group will remain at same levels as evident from the high debtor and inventory level over the medium term.

- **Exposure to regulatory risks in the fertilizer industry**

The group is exposed to any regulatory changes made by the government and is also susceptible to delays in subsidy payments from the government, leading to higher reliance on working capital loans. Any delay in the disbursement of subsidy on account of under-budgeting and any changes in the regulatory scenario will remain key rating sensitivity factors.

Liquidity Position: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.42.65 Cr as on March 31, 2021 as against long term debt repayment of Rs.10.44 Cr over the same period. The current ratio stood comfortable at 1.53 times as on March 31, 2021 as compared to 1.37 times as on March 31, 2020. The cash and bank balances of the group stood at Rs.11.90 Cr as on March 31, 2021 as compared to Rs.4.36 Cr as on March 31, 2020. However, the combined fund based limit remained highly utilized at 90.50 per cent over the nine months ended September, 2021. The group has availed loan moratorium and also applied for any additional covid loan of Rs. 4.27 Cr. Moreover, working capital intensive management of the group is marked by Gross Current Assets (GCA) of 330 days on 31st March 2021 as compared to 252 days as on 31st March 2020. Acuité believes that going forward any stretch in subsidies receivable by the group can impact the liquidity and hence remains monitorable.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle
- Significant increase in subsidy receivables from the government
- Further increase in inter-group loans and advances

Material covenants

None

Outlook: Stable

Acuité believes that the outlook on Blue Deebaj group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	68.51	43.43
PAT	Rs. Cr.	5.33	(2.50)
PAT Margin	(%)	7.77	(5.76)
Total Debt/Tangible Net Worth	Times	0.58	2.50
PBDIT/Interest	Times	4.57	0.21

Key Financials (Consolidated)

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	777.11	1025.25
PAT	Rs. Cr.	21.90	7.18
PAT Margin	(%)	2.82	0.70
Total Debt/Tangible Net Worth	Times	0.44	0.43
PBDIT/Interest	Times	3.05	1.95

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Sep 2021	Proposed Cash Credit	Long Term	17.00	ACUITE B+ (Withdrawn and Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Withdrawn and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE B+ (Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	7.00	ACUITE B+ (Withdrawn and Issuer not co-operating*)
06 Jan 2021	Cash Credit	Long Term	8.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	17.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	7.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
15 Oct 2019	Cash Credit	Long Term	8.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	7.00	ACUITE BB- (Issuer not co-operating*)
	Proposed Cash Credit	Long Term	17.00	ACUITE BB- (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Issuer not co-operating*)
27 Jul	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	7.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)

2018	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Proposed Cash Credit	Long Term	17.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
28 Apr 2017	Cash Credit	Long Term	8.00	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Term Loan	Long Term	10.50	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Proposed Long Term Loan	Short Term	8.50	ACUITE A4 (Reaffirmed)
04 Dec 2015	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	12.00	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A4 (Assigned)
	Derivative Exposure	Short Term	2.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Size Of Issue	Rating
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITÉ BBB Stable Assigned
State Bank of India	Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.83	ACUITÉ BBB Stable Assigned
Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.17	ACUITÉ BBB Stable Assigned
State Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITÉ A3+ Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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