



Press Release
BLUE PHOSPHATE LIMITED
November 13, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	30.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A2 Assigned
Bank Loan Ratings	10.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of **ACUITE A2** (read as **ACUITE A two**) on the Rs. 40.00 crore bank facilities of Blue Phosphate Limited (BPL). The outlook is '**Stable**'.

Also, Acuite has assigned its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of **ACUITE A2** (read as **ACUITE A two**) on the Rs. 60.00 crore bank facilities of Blue Phosphate Limited (BPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account the established track record of operations of the group in the fertilisers industry. The operations of the group are managed by well experienced promoters who in the aforementioned industry which helped to group to established long term relations with reputed clientele. The operations of the group are also benefitted by backward-integration of their facilities established over the years, which provides it a competitive advantage against its competitors.

The rating also factors in the healthy financial risk profile of the group with healthy network, low gearing and comfortable debt coverage indicators majorly on account of consistent increase in the network, and healthy profitability over the years. Furthermore, the promoters of the group have infused ~Rs.20 Cr. in the company to further strengthen its operations. The group witnessed moderation in revenues which stood at Rs.841.08 crore in FY23 as against Rs.998.70 crore in FY22. The decline was majorly on account of lower revenues recorded in Blue Deebaj FZCO. However, the profitability margins of the group witnessed improvement marked by EBITDA margin which stood at 13.07% in FY23 as against 10.90% in FY22. Simultaneously, the PAT margins also witnessed a growth in FY23 to 8.57% as against 7.97% in FY22. The growth in profitability margins was primarily on account of high demand, better pricing power and variable cost reduction through operational efficiencies in production processes.

The rating is however constrained on account of working capital intensive nature of operations, regulatory risks associated within the industry and susceptibility of operating performance due to volatility in raw material prices.

Blue Phosphate Limited (BPL) was incorporated in 2009. The company manufactures powdered single super phosphate (SSP) and granular single super phosphate (GSSP) and has its manufacturing facility in Udaipur, Rajasthan. Furthermore, the company has taken a manufacturing facility on lease basis in Andhra Pradesh during FY24. It is owned by Mr. Kayum R. Dhanani, Mr. Zafar Ullah Khan and Transworld Furtichem Private Limited (TFPL).

About the Group

Transworld Furtichem Private Limited (TFPL) was incorporated in 2004. TFPL is engaged in manufacturer & exporter of compound NPK Granulated Fertilizers, Sulphate of Potash (SOP), specialty Chemicals & Fertilizers with three state of art production facility at Roha (Maharashtra), Kandla & Vadodara (Gujarat) and Mangalore (Karnataka). The company's trading business is recognised by the government as Three Star Export House.

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 largely deals in 'Nitrogen Phosphorus Potash' (NPK) products to customers in the African region, GCC, South East Asia and other Asian countries. The Company has manufacturing and procurement offices in India, Sri Lanka, UAE, Malaysia, Mozambique, Malawi and Zambia. Blue Deebaj FZ Co has its own warehousing facility along with handling and packing facilities in India (Kandla), Beira (Africa), Malaysia and Egypt.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Blue Phosphate Limited (BPL), Transworld Furtichem Private Limited (TFPL) and Blue Deebaj FZCO (BDFZCO). The companies, collectively referred to as the Blue Deebaj group, have significant operational synergies, Cross holding within the group, Corporate Guarantee extended by BD FZCO to TFPL and also the controlling stake in the group is held by the same promoters.

Key Rating Drivers

Strengths

Experienced management along with operational and financial support

The group is promoted by Dhanani family, who have 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 (major shareholder in TFPL) owing to operational synergies and financial support by way of corporate guarantees for TFPL's loans.

Improvement in profitability despite moderation in operating income

The profitability of the group witnessed improvement despite witnessing moderation in revenues. The group reported an operating income of Rs. 841.08 crore in FY23 as against Rs. 998.70 crore in FY22. BPL and TFPL witnessed improvement in the revenue in FY23, however Blue Deebaj FZCO witnessed a decline in FY23. In FY23, Blue Phosphate Limited earned a revenue of Rs. 167.78 crore in FY23 as against Rs. 102.91 crore in FY22. The company earned

majority of its revenue from manufacturing which constituted to around 35% of the total revenue of the company, trading contributes to 34.39%, subsidy contributes to 30.58% and the remaining is contributed by miscellaneous income for FY23. The company receives 30% subsidy for SSP and 30-35% for DAP. In FY23, Transworld Furtichem earned revenue of Rs. 547.39 crore in FY23 as against Rs. 482.94 crore in FY22. The company earned majority of its revenue from manufacturing which constituted to around 69.73% of the total revenue of the company, trading contributes to 28.69%, subsidy contributes to 1.30% and the remaining is contributed by miscellaneous income for FY23.

However despite moderation in the operating income of the group, the profitability margins witnessed a growth in FY23 as reflected in the EBITDA margins which stood at 13.07% in FY23 as against 10.90% in FY22. The PAT margins also witnessed a growth in FY23 to 8.57% as against 7.97% in FY22. The growth in profitability margins was primarily on account of high demand, better pricing power and variable cost reduction through operational efficiencies in production processes.

Healthy financial risk profile

The group's healthy financial risk profile is marked by healthy network, comfortable gearing and strong debt protection metrics. The tangible net worth of the group improved and stood at Rs. 742.82 crore in FY23 as against Rs. 700.15 crore in FY22. The total debt of the company increased and stood Rs. 205.82 crore in FY23 as against Rs. 181.41 crore in FY22. The total debt in FY23 consists of long term debt of Rs. 43.68 crore, short term debt of Rs. 149.83 crore in FY23 and USL of Rs. 12.30 crore. This unsecured loan is majorly for Blue Phosphate Limited from its group company Sana Hospitality Services Private Limited at interest of 9%. The TOL/TNW improved and stood at 0.47 times in FY23 as against 0.59 times in FY22. The debt protection metrics improved further with debt service coverage ratio of 5.64 times in FY23 as against 4.88 times in FY22. The interest coverage ratio also improved and stood at 6.73 times in FY23 as against 6.70 times in FY22. The promoters of TFPL have infused equity to the tune of Rs. 20 crore in FY24 to boost the operations of the company.

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 operations

Working capital intensive in nature with elongated receivable days The operations of the company are working capital intensive in nature marked by high GCA days of 340 days in FY23 as against 301 days for FY22. The high GCA days is majorly on account of high inventory levels of the company due to the seasonal nature of the industry. The inventory levels stood at 169 days in FY23 as against 128 days in FY22. The company has high receivable days of 174 days in FY23 as against 166 days in FY22. The receivable period is high as a certain percent of the price of fertilizers is received as subsidy from the government after raising the bill. The credit terms of the group depends on the crop cycle of the particular region. The creditor days of the company stood at 228 days in FY23 as against 682 days in FY22. The average bank limit utilisation by the company remained moderately utilised with fund-based facilities utilised at 66.35% and non-fund based facilities being utilised at 21.66%.

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 regulated nature of the fertilizer industry and volatility in raw material prices

The fertilizer industry is strategic, but highly controlled, with fertilizer subsidy being an important component of profitability. The phosphatic-fertilizer industry was brought under the NBS regime from April 1, 2010. Under this scheme, the Government of India fixes the subsidy payable on nutrients for the entire fiscal (with an option to review this every six months), while retail prices are market-driven. Manufacturers of phosphatic fertilizers are dependent on imports for their key raw materials such as rock phosphate and phosphoric acid. The regulated nature of the industry and susceptibility of complex fertilizer players to raw material price volatility under the

NBS regime continues to be key rating sensitivity factors. Fertilizer companies are also exposed to subsidy payments from the government, which may get delayed leading to reliance on short-term working capital borrowings.

Rating Sensitivities

- Ramp up in scale of operations while sustaining operating profitability
- Further elongation of working capital cycle
- Significant increase in subsidy receivables from the government

All Covenants

Not Applicable

Liquidity Position Strong

The company's liquidity is strong, marked by moderate bank limit utilization and sufficient net cash accruals against its matured debt obligations. The liquidity position of the company remained strong led by moderate utilization of working capital limits majorly on account of working capital-intensive nature of operations. The group's liquidity is strong marked by steady net cash accruals of Rs.96.31 crore as on March 31, 2023 as against long term debt repayment of only Rs. 1.31 crore over the same period. The current ratio stood comfortable at 2.71 times in FY23 as compared to 2.36 times in FY22. The cash and bank balances of the group stood at Rs.16.27 crore in FY23. The combined fund based limit remained utilized at 66.35% and non-fund based facilities utilized at 21.66% at the group level.

Acuité believes that going forward the group will continue to maintain strong liquidity position owing to steady accruals.

Outlook : Stable

Acuité believes that the outlook of the group will remain 'Stable' over the medium term on account of consistent improvement in the financial performance of the group, marked by its improving scale of operations, and improved profitability margins, comfortable capital structure and strong debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. Conversely, the outlook may be revised in case of decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	841.08	998.70
PAT	Rs. Cr.	72.12	79.56
PAT Margin	(%)	8.57	7.97
Total Debt/Tangible Net Worth	Times	0.28	0.26
PBDIT/Interest	Times	6.73	6.70

Key Financials : Standalone

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	167.78	102.92
PAT	Rs. Cr.	8.06	10.94
PAT Margin	(%)	4.80%	10.63%
Total Debt/Tangible Net Worth	Times	0.62	0.7
PBDIT/Interest	Times	6.43	9.07

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Sep 2022	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Term Loan	Long Term	1.44	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Bank Facility	Long Term	20.56	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
25 Nov 2021	Working Capital Term Loan	Long Term	1.83	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	20.17	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Assigned)
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*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB+ Stable Assigned
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.64	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2 Reaffirmed
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2 Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2 Assigned
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.56	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.36	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.44	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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