

Press Release
BLUE PHOSPHATE LIMITED
February 07, 2025
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	64.36	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	35.64	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to ‘**ACUITE A-**’ (read as **ACUITE A minus**) from ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and the short term rating to ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) from ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs. 100.00 crore bank facilities of Blue Phosphate Limited (BPL). The outlook is ‘**Stable**’.

Rationale for rating upgradation

The rating upgradation considers significant increase in scale of operations of Blue Deebaj group with expected continued growth in FY25, healthy financial risk profile and adequate liquidity. The rating also considers the established position of the group in the fertiliser industry along with extensive experience of the promoters of over five decades. However, the rating is constrained on account of working capital intensive operations and susceptibility of operating performance to volatility in raw material prices and subsidy rates.

About the Company

Incorporated in 2009 Blue Phosphate Limited (BPL) is a Roha, Maharashtra based company engaged in manufacturing of powdered single super phosphate (SSP) and granular single super phosphate (GSSP). The company has its manufacturing facility in Udaipur, Rajasthan. Currently Mr. Zafar Ullah Khan, Mr. Pradeep Ramjivan Goyal, Mr. Mihir Mukesh Bhatia and Mr. Sudeep Saxena are directors of the company.

About the Group

Transworld Furtichem Limited (TFL) was incorporated in 2004 as a Private Limited Company. On 2nd August 2024, the company was re-constituted as a Public Limited Company. TFL is engaged in manufacturing, trading & export of compound NPK Granulated Fertilizers, Sulphate of Potash (SOP), specialty Chemicals & Fertilizers with five production facilities at Roha (Maharashtra), Kandla, Jhagadia - Bharuch & Vadodara (Gujarat) and Mangalore (Karnataka). The company is recognised by the government as Three Star Export House. Currently, Mr. Pradeep Ramjivan Goyal, Mr. Dilip Kumar Gadia, Ms. Shazia Yusuf Dhanani, Mr. Sudeep Saxena, Mr. Nitin Ghanshyam Hotchandani and Mr. Venkateshkumar Krishnamurthy Tirupatipanyam are directors of the company.

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 deals in 'Nitrogen Phosphorus Potash' (NPK) and other fertilizer 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 group 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

Acuité has consolidated the business and financial risk profiles of Blue Phosphate Limited (BPL), Transworld Furtichem Limited (TFL) 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 TFL and the controlling stake in the group is held by the same promoters.

Key Rating Drivers

Strengths

Experienced management along with operational and financial support within the group

The Blue Deebaj 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.

BPL Limited is engaged in the manufacturing of (SSP) and granular SSP for which the raw material required is Rock Phosphate. TFL uses Rock Phosphate for manufacturing of SSP Granulated Fertilizers and then exports to Brazil in a strategic move thus creating the supply chain mechanism without disrupting the flow by having dependency on outside sources. It helps at the group level to have leverage in sourcing and negotiable capabilities. In addition, TFL operations are supported by Blue Deebaj FZCO owing to operational synergies and financial support by way of corporate guarantees for TFL's loans and controlling stake in the group is held by same promoters.

Acuite, believes the group will leverage and benefit from the operational and financial synergies to strengthen their operations in the near to medium term.

Significant improvement in operating performance of the group

The group reported an operating income of Rs 1354.49 Cr. in FY24 as against Rs 836.72 Cr. in FY23. All these three entities i.e BPL, TFL and Blue Deebaj FZCO has witnessed improvement in the revenue in FY24, the improvement in revenues is expected to continue in FY25 evident as BPL earned a revenue of Rs. 173.58 Cr. in FY24 as against Rs 167.78 Cr. in FY23. TFL earned a revenue of Rs. 578.42 Cr. in FY24 as against Rs 547.37 Cr. in FY23. Blue Deebaj FZCO earned a revenue of Rs 880.34 Cr. (AED 38.68 Cr.) in FY24 as against Rs 477.39 Cr. (AED 23.08 Cr.) in FY23. In 9MFY25, group has achieved the revenue of Rs 1353.01 Cr. and expected to report revenue of Rs 1,700.00 Cr.

TFL has been undertaking regular capex from last two years for increase in product line and improvement in processes. Further, capex is also being carried out in FY25 to set up new fertilizer granulation unit in Kandla Special Economic Zone, Gujarat and purchase of land and building, Plant and Machinery at Jhagadia Gujarat for Single Super Phosphate(SSP) and granulated SSP. The ongoing capex is likely to support improving scale of operations of the group in near to medium term. Acuite believes that the scale of operations of the group will improve in near to medium terms on account of steady demand for fertilizers along with augmenting capabilities.

Healthy financial risk profile

The group's healthy financial risk profile is marked by healthy network, comfortable gearing and debt protection metrics. The tangible net worth of the group improved and stood at Rs. 731.14 Cr. as on March 31, 2024 as against Rs. 638.16 Cr. as on March 31, 2023 on account of increase in share capital. Further retention of current year profits and security premium on issuance of share capital contributed to reserves of the group led to increase in the network. Also, Acuite has considered Rs 44.97 Cr. as quasi equity as the management has undertaken to maintain the amount in the business over the medium term and the same is subordinated to bank loans. The total debt of the group increased and stood Rs. 227.62 Cr. as on March 31, 2024 as against Rs. 202.05 Cr. on as on March 31, 2023. The total debt in FY24 consists of long-term debt (including current portion of long-term debt) of Rs. 42.33 Cr. and short term debt of Rs. 185.30 Cr.

Gearing of the group stood at the same level i.e 0.31 times as on March 31, 2024 as against 0.32 times as on March 31, 2023. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 0.63 times as on March 31, 2024 as against 0.51 times as on March 31, 2023. The debt protection metrics of the group stood comfortable marked by interest coverage ratio of 3.57 times as on March 31, 2024 and debt service coverage ratio at 2.73 times as on March 31, 2024 as against 5.01 times and 4.05 times as on March 31, 2023 respectively mainly on account of increase in debt level. However, Net Cash Accruals/Total Debt (NCA/TD) stood at same level i.e 0.31

times as on March 31, 2024 as against 0.32 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the group will remain healthy marked by comfortable gearing and debt protection metrics over the medium term.

Weaknesses

Susceptibility of profitability to volatility in raw material prices in a regulated nature of the fertilizer industry

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 (Nutrient Based Subsidy Scheme) 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.

The profitability margins fallen in FY24 as reflected in the EBITDA margins which stood at 8.30 percent in FY24 as against 11.35 percent in FY23. The PAT margins also reported a decline in FY24 which stood at 3.85 percent as against 5.14 percent in FY23. The dip in profitability margins was primarily on account of increase in finance cost and low realisation of government subsidy, however the subsidy rates are revised and improved in FY25 as compared to FY24 in BPL. Acuité believes that sustained improvement in profitability margins would remain a key rating monitorable.

Working capital intensive nature of operations

The operations of the group remained working capital intensive in nature marked by high GCA days of 250 in FY24 as against 332 days in FY23. The high GCA days are primarily on account of high inventory levels of the group due to the seasonal nature of the industry and purchase in bulk as group has to maintain inventory of ~120 days (Raw Material+Finished Goods quantity) and the same is maintained by way of doing import. The inventory levels stood at 107 days in FY24 as against 166 days in FY23. The group has receivable days of 64 days in FY24 as against 33 days in FY23. 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 in BPL and majority of the billing is done in the last quarter, especially during March 24 in TFL. The creditor days of the group stood at 215 days in FY24 as against 101 days in FY23. The average bank limit utilisation by the group remained moderately utilised with fund-based facilities utilised at ~60 per cent and non-fund-based facilities being utilised at ~56 per cent during the last seven months ended in Oct-24.

Acuité believes that the working capital operations of the group will remain intensive on the back of high debtor and inventory level over the medium term.

Price and Forex Risk

The group continues to be exposed to forex, price and inventory markdown risks, primarily due to its presence in fertiliser trading. Given its high inventory levels, any adverse revision in NPK rates by the GoI or a decline in imported prices could result in inventory losses. However, the group have, over the years, managed these risks through prudent inventory management and forex risk is naturally hedged as group also imports raw materials. The foreign inflows include exports that accounts for ~62 percent of the revenue and outflows includes raw materials import to the extent of ~65 percent at the group level, thereby creating a natural hedge.

Rating Sensitivities

- Consistent improvement in scale of operation while improving profitability margin
- Changes in financial risk profile owing to higher-than-expected debt funded capex
- Working capital management
- Significant increase or decrease in subsidy receivables from the government

Liquidity Position

Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs 71.37 Cr. as on March 31, 2024 as against long term debt repayment of only Rs.5.80 Cr. over the same period. The current ratio of the group dipped

but stood comfortable at 2.26 times as on March 31, 2024 as against 2.89 times as on March 31, 2023. The average bank limit utilisation by the group remained moderately utilised with fund-based facilities utilised at ~60.18 per cent and non-fund based facilities being utilised at ~56.15 per cent during the last seven months ended in Oct-24.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals as against long debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1354.49	836.72
PAT	Rs. Cr.	52.15	43.04
PAT Margin	(%)	3.85	5.14
Total Debt/Tangible Net Worth	Times	0.31	0.32
PBDIT/Interest	Times	3.57	5.01

Key Financials (Standalone)

Particulars	Unit	FY24(Actual)	FY23(Actual)
Operating Income	Rs. Cr.	173.58	167.78
PAT	Rs. Cr.	0.47	8.06
PAT Margin	(%)	0.27	4.80
Total Debt/Tangible Net Worth	Times	0.28	0.62
PBDIT/Interest	Times	2.45	6.43

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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
13 Nov 2023	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.44	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	20.56	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Assigned)
	Covid Emergency Line.	Long Term	0.64	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	7.36	ACUITE BBB+ Stable (Assigned)
06 Sep 2022	Letter of Credit	Short Term	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Long Term Bank Facility	Long Term	20.56	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Term Loan	Long Term	1.44	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	20 Nov 2023	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Central Bank of India	Not avl. / Not appl.	Cash Credit	18 Mar 2023	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	11 Apr 2023	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Forward Contracts	20 Nov 2023	Not avl. / Not appl.	Not avl. / Not appl.	0.64	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	29.36	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr No	Name of the entity
1	Blue Phosphate Limited
2	Transworld Furtichem Limited
3	Blue Deebaj FZCO

Contacts

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