

Ghatprabha Fertilizers Private Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	22.00	SMERA BB/Stable (Assigned)
Letter of Guarantee	0.75	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Ghatprabha Fertilizers Private Limited (GFPL). The outlook is '**Stable**'. The ratings derive strength from the experienced management and long track record of operations. The ratings also draw support from the healthy profitability and wide distribution network. However, the ratings are constrained by the moderate financial risk profile. The ratings also take into account the vulnerability of the company to regulatory changes and agro climatic risks associated with the fertilizer industry.

GFPL, incorporated in 2006 is headed by Mr. Madhusudan P. Kalantri, Mr. Anand Gilda and Mr. Shashikant Puramwar, Directors with around two decades of experience in the fertilizer and seed industry. The company has a comfortable liquidity position marked by healthy net cash accruals as on March 31, 2015. The average utilization of the working capital limit has been ~69 per cent for cash credit (for six months ended March, 2016). GFPL has a robust distribution network of 250 dealers in Karnataka.

However, GFPL's operations are capital intensive reflected in the gross current assets (GCA) of 177 days in FY2014-15. The moderate GCA emanates from the high inventory holding days due to the seasonal nature of business.

The ratings are also constrained by the moderate financial risk profile marked by interest coverage ratio (ICR) of 1.71 times in FY2015. The debt service coverage ratio (DSCR) stood at 1.46 times in FY2015.

Rating Sensitivity Factors

- Growth in revenues while sustaining operating margins
- Deterioration in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that GFPL's outlook will remain stable owing to the promoters' extensive experience in the fertilizer industry. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while sustaining operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of the operating margins or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the ratings:

- Parent Notch up

About the Company

GFPL, incorporated in 2006 is engaged in the manufacture of NPK Fertilizers and soil conditioners at its unit at Karnataka. The company is a subsidiary of Shiva Global Agro Industries Limited, engaged in the manufacture of fertilizers, seeds and extraction of soybean oil.

For FY2014–15, the company reported profit after tax (PAT) of Rs.1.48 crore on operating income of Rs.107.40 crore, as compared with net profit of Rs.1.10 crore on operating income of Rs.88.48 crore in FY2013–14. The company's net worth stood at Rs.20.57 crore as on March 31, 2015 as compared with Rs. 18.22 crore a year earlier.

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ABOUT SMERA

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