

Press Release

Ghatprabha Fertilizers Private Limited

August 10, 2017



Rating Downgraded

Total Bank Facilities Rated*	Rs. 22.75 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of 'SMERA BB-' (read as SMERA BB minus) and short term rating of 'SMERA A4+' (read as SMERA A four plus) on the Rs. 22.75 crore bank facilities of Ghatprabha Fertilizers Private Limited. The outlook is 'Stable'.

Ghatprabha Fertilizers Private Limited (GFPL), incorporated in 2006 is engaged in the manufacture of NPK fertilisers and soil conditioners at Karnataka. The company is a subsidiary of Shiva Global Agro Industries Limited, which is engaged in the manufacture of fertilisers, seeds and extraction of soybean oil in Maharashtra.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

GFPL, incorporated in 2006, is engaged in the manufacturing of NPK Mix Fertilizers and soil conditioners. The company was promoted by Mr. Shashikant Puramwar, Mr. Anand Gilda and Mr. Madhusudan Kalantri. The promoters have over 20 years of experience in the fertilisers and seed industry and have been able to forge long lasting relationships with customers.

- **Moderate financial risk profile**

The financial risk profile has been moderate marked by low gearing of 0.64 times as on 31 March, 2017 compared to 0.74 times as on 31 March, 2016. The networth (including quasi equity) stood at Rs.19.26 crore as against Rs.19.79 crore as on 31 March, 2016. The interest coverage ratio stood at 1.49 times for FY2017 and 1.53 times for FY2016. Further, SMERA believes that the debt protection metrics will improve in FY2018.

Weaknesses

- **Moderate scale of operations, decline in revenues**

GFPL's revenues declined in FY2017 to Rs.42.11 crore from Rs. 61.82 crore in FY2016 and Rs.107.23 crore in FY2015 due to discontinuation of operations at its unit in Maharashtra and drought in Karnataka.

- **Working capital intensive operations**

The company has working capital intensive operations marked by high Gross Current Assets days which stood at 393 for FY2017 as against 296 for FY2016. The increase in GCA days is due to increase in inventory days and debtor days of 261 and 132 respectively as on 31 March, 2017.

- **Competitive and fragmented industry**

The company is engaged in the manufacture of fertilisers and soil conditioners and is exposed to

intense competition in the chemical industry.

Analytical Approach

SMERA has changed the rating approach from parent-notch up and considered the standalone business and financial risk profile along with the on-going support from the parent company to arrive at the rating.

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2016-17, the company reported profit after tax (PAT) of Rs.0.52 crore on operating income of Rs.42.11 crore, compared to net profit of Rs.0.65 crore on operating income of Rs.61.82 crore in FY2015-16. The net worth (including quasi equity) stood at Rs.19.26 crore as on 31 March, 2017 as against Rs.19.79 crore, a year earlier.

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

ICRA, vide release dated July, 2016 suspended the ratings of Ghatprabha Fertilizers Private Limited on account of non co-operation.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Jun-2016	Cash Credit	Long Term	INR 22	SMERA BB / Stable
	Letter of Guarantee	Short Term	INR 0.75	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA A4+

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