

Press Release

Ghatprabha Fertilizers Private Limited

October 08, 2018

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs. 22.75 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 18.00 crore bank facilities and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 0.75 crore bank facilities of Ghatprabha Fertilizers Private Limited (GFPL). The outlook is '**Stable**'.

Further, Acuite has assigned long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 4.00 crore bank facilities of Ghatprabha Fertilizers Private Limited (GFPL). The outlook is '**Stable**'.

The Karnataka based, GFPL was incorporated in 2005. The company is engaged in the manufacturing of NPK fertilizers and soil conditioners. GFPL is a subsidiary of Shiva Global Agro Industries Limited (SGAIL), which is engaged in the manufacturing of fertilizers, seeds and extraction of soybean oil. The manufacturing facility has an installed capacity of 97200 metric tons per annum with ~30 percent utilisation.

Analytical Approach

Acuite has considered the standalone business and financial risk profile along with the on-going support from the parent company to arrive at the rating.

Key Rating Drivers:

Strengths

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

The company was incorporated in 2005, thus having a track record of over a decade in the fertilizers industry. The Directors, Mr. Madhusudan Kalantri has over three decades and Mr. Shashikant Puramwar has two decades of experience in the aforementioned industry. Further, Mr. Santosh Hanumandas Malpani and Mr. Anand Gilda have an experience of over a decade in the same line of business. Hence, long track record of operations and vast experience of management has helped the company to develop healthy relationship with its customers. Acuite believes that GFPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

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

GFPL's revenues have declined over the years to Rs.36.73 crore in FY2018 from Rs.42.11 crore in FY2017 and Rs.61.82 crore in FY2016. This decline is due to the strategic discontinuation of the business operations of the company's Maharashtra unit and drought conditions in Karnataka from the past few years.

- **Moderate financial risk profile**

The company's financial risk profile is moderate marked by net worth of Rs.14.60 crore as on 31 March, 2018 as against Rs.14.11 crore as on 31 March, 2017. The gearing (debt-to-equity ratio) stood at 1.45 times as on 31 March, 2018 as against 1.21 times as on 31 March, 2017. The total debt of Rs.21.19 crore as on 31 March, 2018 mainly comprises of Rs.16.88 crore of working capital borrowings and Rs.4.30

crore of unsecured loans from directors, relatives and others. Interest Coverage Ratio (ICR) stood at 1.51 times for FY2018 as against 1.47 times for FY2017. Net cash accruals in FY2018 is Rs.0.93 crore as against debt obligation of Rs.0.10 crore.

• **Deterioration in working capital operations**

GFPL's working capital operations have been deteriorating over the years marked by high Gross Current Assets (GCA) of 428 days in FY2018 as against 386 days in FY2017. This is mainly due to high inventory of 285 days in FY2018 as against 261 days in FY2017. The inventory is high on account of year end phenomena. The debtor days are high at 151 days in FY2018 as against 132 days in FY2017. Further, the bank limit utilisation stood at ~96.49 percent for the last six months ended August, 2018.

• **Competitive and fragmented industry**

The company is engaged in the manufacturing of fertilizers and soil conditioners and hence, is exposed to intense competition by organised and unorganised players in the chemical industry.

Outlook: Stable

Acuite believes that the outlook of GFPL will remain 'Stable' owing to the promoters' experience in the fertilizer 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.73	42.11	61.82
EBITDA	Rs. Cr.	2.69	3.38	4.66
PAT	Rs. Cr.	0.46	0.48	0.65
EBITDA Margin	(%)	7.31	8.03	7.54
PAT Margin	(%)	1.27	1.13	1.05
ROCE	(%)	7.98	9.71	24.12
Total Debt/Tangible Net Worth	Times	1.45	1.21	1.53
PBDIT/Interest	Times	1.51	1.47	1.53
Total Debt/PBDIT	Times	6.67	4.57	4.32
Gross Current Assets (Days)	Days	428	386	290

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Aug-2017	Cash Credit	Long Term	22.00	ACUITE BB- / Stable (Downgraded from ACUITE BB)
	Bank Guarantee	Short Term	0.75	ACUITE A4+ (Reaffirmed)
02-Jun-2016	Cash Credit	Long Term	22.00	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A4+ (Assigned)

*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	18.00	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 (Downgraded from ACUITE A4+)

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About Acuité Ratings & Research:

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