

Kisan Phosphates Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	9.35	SMERA BB-/Stable (Assigned)
Term Loan	14.00	SMERA BB-/Stable (Assigned)
Long Term (Proposed)	0.15	SMERA BB-/Stable (Assigned)
Letter of Credit*	14.00	SMERA A4+ (Assigned)
Letter of Guarantee	1.00	SMERA A4+ (Assigned)

*Includes sub limit of buyers credit of Rs.7 crore

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.23.50 crore long term (fund based) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.15.00 crore short term (non-fund based) bank facilities of Kisan Phosphates Private Limited (KPPL). The outlook is '**Stable**'. The ratings derive comfort from the experienced management and moderate financial risk profile marked by moderate gearing and comfortable coverage indicators. However, the aforementioned strengths are partially offset by the limited track record of operations, working capital intensive business and intense competition in the fertiliser industry.

KPPL, incorporated in 2012, is engaged in the manufacture of single super phosphate (SSP) and Di Calcium Phosphate (DCP) fertiliser. Mr. Puneet Makharia, Director, has more than two decades of experience in the company's line of business. The company has moderate financial risk profile marked by leverage (debt-equity ratio) of 1.24 times (provisional) in FY2015-16 against 2.86 times in FY2014-15. The interest coverage ratio has been moderate at 1.93 times in FY2015-16 compared to 1.34 times in the previous year (refers to financial year, April 01 to March 31).

The net cash accruals to total debt (NCA/TD) stood at 0.10 times (provisional) in FY2015-16 against -0.02 times during the previous year. The total debt of Rs.40.79 crore (as on March 31, 2016) includes non-interest bearing unsecured loans of Rs.15.09 crore from promoters, friends and relatives that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

KPPL has moderate profitability profile evident from profit after tax (PAT) margins of 2.29 per cent (provisional) in FY2015-16 against (7.09) per cent in FY2014-15. The operating income of the company is moderate at Rs 44.80 crore in FY2015-16 (provisional).

KPPL has limited track record of operations and its operations are working capital intensive as evident from the gross current assets (GCA) of 205 days (provisional) as on March 31, 2016. Besides, it faces intense competition from several players in the fertiliser industry. SMERA also notes that the company has modest return on capital employed (RoCE) of 9.54 per cent (provisional) in FY2015-16.

Outlook - Stable

SMERA believes that KPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company reports sustained improvement in revenue and profitability profile, working capital cycle or higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability or deterioration in the capital structure due to elongation of working capital cycle. Any large debt funded capital expansion undertaken by the company may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Sustained improvement in operating income and profitability profile
- Efficient working capital management
- Large debt funded capital expansion

Criteria applied to arrive at the ratings

- Manufacturing entities

About the Company

KPPL, incorporated in 2012, was promoted by Mr. Murlidhar Gupta, Mr. Nitin Kedia, Mr. Nirmal Kedia and others. The company commenced operations in September 2014 to manufacture single super phosphate (SSP) and Di Calcium Phosphate (DCP) fertiliser at Hisar (Haryana). The installed capacity of the company is 132,000 MT per annum

For FY2014-15, the company reported net loss of Rs.1.36 crore on operating income of Rs.19.18 crore. As per the 12 month provisional financials for FY2015-16, the company reported profit after tax (PAT) of Rs.1.03 crore on operating income of Rs.44.80 crore. The net worth stood at Rs.20.73 crore (provisional) as on March 31, 2016 as against Rs.10.30 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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