Change in Rating Symbol

September 16, 2019

Robust Marketing Services Private Limited

Total Instruments Rated	Rs. 200.00 Cr
Long Term Rating	ACUITE Provisional BB+ (CE)/ Stable

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to ‘CE’ suffix / removal of ‘SO’ suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuité’ s credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf

Criteria for assigning ratings with ‘SO’ suffix: https://www.acuite.in/view-rating-criteria-48.htm

Criteria for assigning ratings with ‘CE’ suffix: https://www.acuite.in/view-rating-criteria-49.htm

Press Release

Robust Marketing Services Private Limited

August 10, 2019

Rating Assigned

Total Instruments Rated*	Rs.200.00 Cr.
Long Term Rating	ACUITE BB+ Provisional (SO) / Outlook: Stable

*Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of **'ACUITE BB+ Provisional (SO)' (read as ACUITE double B plus Provisional (Structured Obligation))** on the Rs.200.00 crore Proposed Non-Convertible Debentures of ROBUST MARKETING SERVICES PRIVATE LIMITED (RMPL). The outlook is **'Stable'.**

Robust Marketing Services Private Limited (RMPL) is engaged in trading of shares and leasing of properties. The company owns two properties, one in Mumbai and other in Delhi. The company also owns ~171 acres of Non Agricultural Land in Mangalore. The company is promoted by Mr. Sailesh Mehta and Mrs. Parul Mehta. The company shares a common promoter with Deepak Fertilizers and Petrochemicals Corporation Limited (DFPCL).

Nova Synthetic Limited (NSL) is a non-systemically important Non Deposit accepting Core Investment Company, holding ~48 per cent equity shares of DFPCL. NSL earns around Rs.25 crore in form of dividends received from DFPCL.

The rating of Rs. 150.00 Cr. of Proposed NCDs is provisional and the final rating is subject to:

- Finalisation of term sheet
- Confirmation from the debenture trustee regarding execution support from Nova Synthetic Limited (NSL), Presence of two quarter Interest Service Reserve Account, Non-Disposal Undertaking and Power of Attorney over DFPCL's shares held by NSL. and compliance with other terms and conditions as per the term sheet

The provisional rating is valid for 180 days and Acuité reserves the right to alter/modify/extend/withdraw the rating any time prior to 180 days, if such an action is deemed appropriate.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RMPL and has factored the credit enhancement in form of pledge of shares of NSL, holding company of DFPCL to arrive at this rating.

Key Rating Drivers

Strengths

- **Rating driven by pledge of shares of Nova Synthetic Limited**

The proposed rated instrument of RMPL are expected to be secured by way of pledge of fully paid up unencumbered shares of NSL in addition to the movable and immovable assets of RMPL. The asset coverage is expected to range from ~4x to 5x across the instruments. Apart from the asset coverage, the investor of the proposed NCD issue is likely to stipulate Non-Disposal Undertaking and Power of Attorney over DFPCL shares held by NSL, Irrevocable and unconditional Corporate Guarantee of NSL and two quarter Interest Service Reserve Account to be maintained by RMPL. Nova Synthetic Limited (pledger entity) is one of the investment companies of the promoters of DFPCL, holding 48.42 per cent of the DFPCL's shares as on March 31, 2019.

Further, the rating also factors in support extended by NSL and promoters of the company in the form of unsecured loans. Since, the operational cash flows of RMSPL are currently inadequate to service its debt repayment obligation; the continued support from NSL and the promoters will remain a key rating sensitivity factor.

- **Long track record of operations of Deepak Fertilizers & Petrochemicals Corporation Limited**

DFPCL, was incorporated in 1979 and is promoted by Mr. Sailesh Mehta and Mr. C. K. Mehta. The company is engaged in manufacturing of Nitro-Phosphate, Nitrogen-Phosphorous-Potassium, technical ammonium nitrate (TAN), methanol, nitric acid and iso propyl alcohol (IPA). DFPCL is one of the leading companies in the chemicals business and enjoys a strong market position across some of its product segments. DFPCL is the largest manufacturer of nitric acid in the domestic market. DFPCL has recently increased its manufacturing capacity at Dahej (~92 KTPA), which takes the consolidated Nitric Acid capacity to 1.07 MTPA. DFPCL is also a leading manufacturer of Technical Ammonium Nitrate (TAN), and offers the same through its product offerings of LDAN and HDAN. DFPCL is the leading manufacturer of Iso Propyl Alcohol (IPA) and caters to a large proportion of domestic demand through its manufacturing capacity.

The extensive experience of the promoters is also reflected through the healthy revenue growth. The revenues of DFPCL grew at an estimated compound annual growth rate (CAGR) of 12 per cent over the last four years through FY2019 to Rs.6,742 crores. DFPCL is currently incurring a large capacity expansion to further augment its manufacturing capacity across its chemicals business. The total project cost is estimated to be around Rs.5,270 crore and is expected to be completed by FY2021-22. The aforementioned capex is expected to be funded in debt to equity ratio 70:30.

DFPCL networth and gearing stands healthy at Rs. 2106.66 crore and 1.40 times (debt to equity) as on March 31, 2019. The total market capitalisation stood at Rs. 1,100 crore as on June 19, 2019. The company is also expected to divest its non-core assets in near to medium term.

Since, NSL and RMSPL's cash flows are highly dependent on dividends payout by DFPCL, performance of DFPCL and its ability to improve its profitability and efficiently managing its liquidity will remain a key monitorable.

Weaknesses

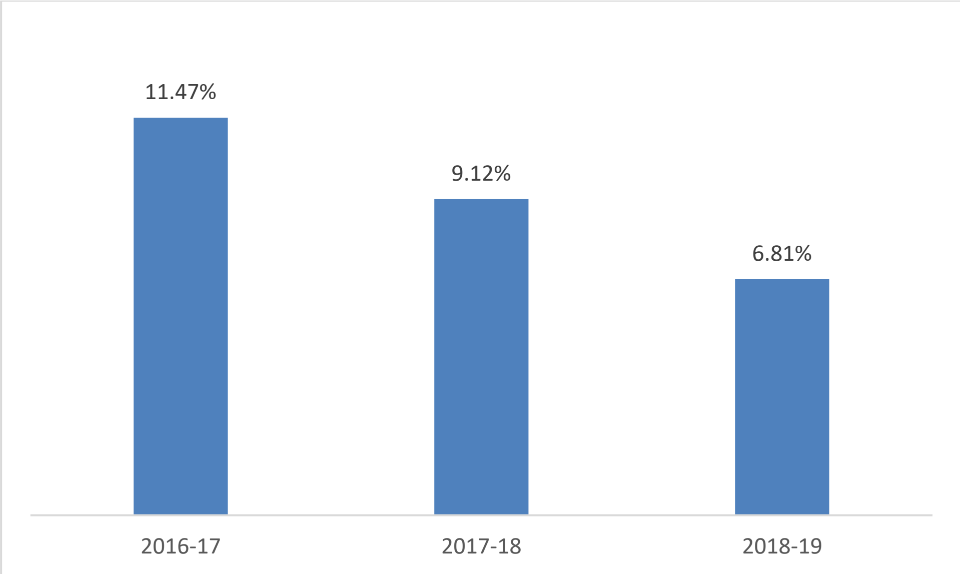
- **Subdued operating metrics of RMSPL**

RMSPL generates revenues from leasing and trading of shares. The company owns 2 properties, one at Mumbai and other in Delhi. The company also owns a land parcel of ~171 acres in Mangalore. The company has generated operating revenue of Rs.0.69 crore in FY2019 (Provisional) as against Rs.0.96 crore in the previous year. The company has been incurring net losses previously which stood at Rs.0.62 crore for FY2019 (Provisional) as against Rs.0.61 crore in FY2018. The tangible net worth of the company stood negative at Rs.41.68 crore as on March 31, 2019 (Provisional). However, the promoters have been infusion unsecured loans which stood at Rs.207.71 crore as on March 31, 2019 (Provisional). Acuité believes that the financial risk profile of the company will remain subdued going ahead. However, timely support from the promoters and/or NSL will be critical for RMPL for coupon payment of these proposed NCDs.

- **Susceptibility of operating performance to demand cyclicity and volatility in raw material prices**

DFPCL witnessed deterioration in the performance of the fertilizer business in 2018-19. The deterioration in performance was attributable to decline in volumes (~17 per cent compared to 2017-18) and the increase in prices of key raw material (Phosphoric acid, ammonia and Propylene). The impact of the rise in raw material prices could not be passed through in the final product prices due to weak demand. The company has also incurred loss on EBIT level of Rs.38.86 crore for FY2019 as against EBIT of Rs.36.74 crore in the previous year. The IPA sales also slowed down by 17 per cent (volume basis) in FY2019. The impact of subdued performance of Fertilizer division and IPA was partially offset by improved performance of TAN. DFPCL reported a 15 per cent y-o-y volume growth in TAN solids compared to FY2018. The overall operating profitability has witnessed a sequential decline over the last three years. The profitability was impacted in 2018-19 on account of rising raw material prices and slow demand. EBITDA margin contracted by around 300 bps during 2018-19. Though, the debt levels on an absolute basis have declined, the lower cost debt is substituted with higher cost bank loans, leading to higher interest and finance charges. The Profit before tax for FY2019 reduced by 75 per cent to Rs.58 crore as compared to FY2018.

The performance of DFPCL is susceptible to volatility in changes in raw material prices, for instance the EBITDA margins have been declining for past three years:



The aforementioned weakness however is partly offset by favorable demand prospects of the new product introduced "Smartek", which has already replaced around 43 per cent of the NPK portfolio in 2018-19 and is expected to clock healthy growth over the near to medium term. Acuite believes that the operating performance of DFPCL is a key determinant of the performance of NSL and RMSPL, as the later derive their income through dividend payout of DFPCL.

- **Timely monetization of Land**

  RMSPL initially plans to raise Rs.150 crores in the form of NCD, which is expected to be invested in share warrants issued by DFPCL. Acuité believes that the total revenue that is expected to generate by RMSPL in FY2020 and FY2021 in form of lease rentals is likely to tightly match the coupon payment for the NCD's. However, the same is also expected to be supported by infusion of unsecured loans from promoters and/or NSL or the promoters also have an option of selling their shares in DFPCL. Also, the redemption of these NCD will be highly depended on timely monetization of land (~171 acre). Timely monetization of land will be a key factor for redemption of NCDs.

Liquidity position

RMPL has stretched liquidity marked by continuous net losses incurred by the company. However, the liquidity of the company is supported by way of fund infusion through promoter and promoter group companies.

Outlook: Stable

Acuité believes that RMSPL will maintain a 'Stable' credit profile on the back of its association and continuous support from the promoter and promoter group companies. The outlook may be revised to 'Positive' if RMPL demonstrates significant improvement in its profitability and debt protection indicators. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in DFPCL's credit profile.

About the Rated Entity - Key Financials

	Unit	FY19(Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.69	0.96	0.64
EBITDA	Rs. Cr.	0.34	0.21	0.37
PAT	Rs. Cr.	(0.62)	(0.61)	(14.24)
EBITDA Margin	(%)	48.47	21.67	58.16
PAT Margin	(%)	(89.24)	(63.55)	(2,224.74)
ROCE	(%)	0.02	(0.07)	0.11
Total Debt/Tangible Net Worth	Times	(5.74)	(4.20)	(3.96)
PBDIT/Interest	Times	0.45	0.36	0.05
Total Debt/PBDIT	Times	664.30	709.69	364.56
Gross Current Assets (Days)	Days	151	241	992

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Service Sector - https://www.acuite.in/view-rating-criteria-8.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)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed NCD	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE BB+ Provisional (SO) /Stable

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.