



Press Release
The Phosphate Company Limited
April 02, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.95	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	35.50	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	62.45	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 26.95 Cr. bank facilities and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 35.50 Cr. bank facilities of The Phosphate Company Limited. The outlook is '**Stable**'.

Rationale for rating

The rating takes into cognizance experienced promoters along with their relationship with customers and suppliers, moderate financial risk profile, moderate working capital cycle and adequate liquidity; however, these strengths are partly offset seasonality and regulatory risks of fertilizer industry leading to volatile operating performance.

About the Company

West Bengal – Based, The Phosphate Company Limited was incorporated in 1949. The company is engaged in manufacturing of Single Super Phosphate (SSP) fertilizers (92.56% of revenue in FY 2024). Additionally, they are also involved in the trading of fertilizers. (7.44% of revenue in FY 2024). The company has an installed capacity of 1,12,800 MT for manufacturing fertilizers at Rishra, West Bengal.

The company was founded by two families- Bangur and Khaitan families. The directors of the company are Mr. Hemant Bangur, Mr. Binod Kumar Khaitan, Mrs. Sonali Sen, Mr. Ajay Bangur and Mr. Gautam Bhattacharya. Lakshmi is the brand name of the company's manufactured product.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of The Phosphate Company Limited to arrive at its rating.

Key Rating Drivers

Strengths

Benefits derived from Experienced promoters

The operations of the company is ably managed by Mr. Ajay Bangur, Executive Director under the supervision of

two Non-Executive Directors namely, Mr. Hemant Bangur and Mr. Binod Kumar Khaitan and two Independent Directors namely, Mrs. Sonali Sen and Mr. Gautam Bhattacharya. All the directors have experiences in different industries like jute, timber, plantation, tea fertilizer among others. Collectively, their business acumen has driven the business to develop longstanding ties with its customers and suppliers. The company has also horizontally diversified into trading of Crop Protection Chemicals, Plant Growth promoters and high yielding variety seeds under Samadhan Brand. Acuite believes that the experience of promoters over decades in manufacturing fertilizers and relationship with customers and suppliers will benefit the company going forward.

Moderate Financial risk profile

The financial risk profile is moderate marked by an increase in the net worth to Rs. 84.59 Cr. as on March 31, 2024 as compared to Rs. 82.82 Cr. as on March 31, 2023 due to accretion of reserves. Gearing stood at 0.24 times as on March 31, 2024 as against 0.40 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.41 times as on March 31, 2024 as compared to 0.70 times as on March 31, 2023. The debt protection metrics is marked by Interest Coverage Ratio at 2.22 times as on March 31, 2024 as compared to 3.16 times as on March 31, 2023 and Debt Service Coverage Ratio at 1.43 times as on March 31, 2024 as compared to 2.08 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on March 31, 2024 as compared to 0.17 times as on March 31, 2023. Acuité believes that going forward the financial risk profile will remain moderate over the medium term with steady cash accruals in the absence of any major debt funded capex plans.

Moderate working capital management

The moderate working capital management is marked by Gross Current Assets (GCA) of 114 days as on March 31, 2024 as compared to 125 days as on March 31, 2023. The debtor days stood at 19 days as on March 31, 2024 as compared to 29 days as on March 31, 2023. The subsidy is also received within 60 days from day of raising bill. Furthermore, the inventory days stood at 59 days as on March 31, 2024 as compared to 81 days as on March 31, 2023. 50% of the raw materials are imported from Middle East countries like Egypt, Jordan, Israel, Morocco, Jordan among others. The other current assets amount to Rs. 7.20 Cr. as on March 31, 2024 as compared to Rs. 8.26 Cr. as on March 31, 2023 majorly comprises of Input Tax Receivable. The creditor days stood at 42 days as on March 31, 2024 as compared to 48 days as on March 31, 2023. The imports backed by Letter of Credit typically of about backed 180 days. Acuité believes that going forward the working capital operations of the company will remain moderate over the medium term.

Weaknesses

Declining Revenues and stable yet decline in operating profitability

The revenues have declined to Rs. 114.97 Cr. as on March 31, 2024 as compared to Rs. 146.97 Cr. as on March 31, 2023 due to prolonged dry spell in West Bengal during 2023-2024 during the Kharif season. Further, the Government of India had reduced the subsidy with effect from October 2023 on the sale of fertilizer from Rs. 6872/tonne to Rs. 3540/tonne in the second half of the year comprising of peak season and the average selling price could not be fully adjusted to account for this revised reduction in subsidy, leading to lower sales. The company has achieved revenues of Rs. 101.03 Cr. in 9MFY25. However, despite a decline in revenues, the Company could maintain its operating profitability which stood at 6.38 percent as on March 31, 2024 as compared to 6.66 percent as on March 31, 2023 due to reduction in administrative and selling costs. Acuité believes that the susceptibility of revenues and margins to regulated nature of industry alongwith volatility in prices of raw material would remain a key monitorable.

Exposure to regulatory risks in the fertilizer industry

The fertilizer industry is strategic, but highly controlled, with fertilizer subsidy being an important component of profitability. The phosphatic-fertilizer industry was brought under the NBS (Nutrient Based Subsidy Scheme) regime from April 1, 2010. Under this scheme, the Government of India fixes the subsidy payable on nutrients for the entire fiscal (with an option to review this every six months), while retail prices are market driven. Manufacturers of phosphatic fertilizers are dependent on imports for their key raw materials such as rock phosphate and phosphoric acid. The regulated nature of the industry and susceptibility of complex fertilizer players to raw material price volatility under the NBS regime continues to be key rating sensitivity factors. Fertilizer companies are also exposed to subsidy payments from the government, which may get delayed leading to reliance on short-term working capital borrowings. Any change in the regulatory scenario in the fertilizer industry remain key monitorable.

Rating Sensitivities

Movement in revenues and operating profitability

Working capital cycle

Impact of any change in subsidy and timeliness of receipts of the same

Liquidity Position

Adequate

The liquidity position is adequate marked by net cash accruals of Rs.3.01 Cr. as on March 31, 2024 as against long term debt repayment of Rs. 1.09 Cr. over the same period. The cash and bank balances stood at Rs. 5.60 Cr. as on March 31, 2024 as compared to Rs. 0.04 Cr. as on March 31, 2023. The current ratio stood at 1.64 times as on March 31, 2024 as compared to 1.21 times as on March 31, 2023. Further the promoters have demonstrated flexibility to infuse unsecured loan in the past as and when needed to support the growth in the business. The average bank limit utilization stood at 38 percent over the last seven months ended, January 2025 and for the peak season, it is in the range of 45-50 percent. Since the industry is seasonal, the bank limit utilization will also be utilized in similar manner. Acuité believes that going forward the liquidity position of the company will remain adequate in the near to medium term in the absence of capex plans, and small but steady accruals.

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	114.97	146.97
PAT	Rs. Cr.	2.02	4.67
PAT Margin	(%)	1.76	3.18
Total Debt/Tangible Net Worth	Times	0.24	0.40
PBDIT/Interest	Times	2.22	3.16

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.50	Simple	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A3 Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3 Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	15 Jan 2022	Not avl. / Not appl.	01 Feb 2027	1.14	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	15 Nov 2021	Not avl. / Not appl.	24 Nov 2026	0.81	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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