



Press Release

Krishana Phoschem Limited (KPL)

April 14, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Term Loan	12.35	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Bank Facility – Cash Credit	17.00	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
3.	Short Term Non -Fund Based Bank Facility – Letter of Credit	25.00	IVR A2 (IVR Single A Two)	Assigned
4.	Short Term Non -Fund Based Bank Facility – Pre Settlement Risk (PSR)	1.00	IVR A2 (IVR Single A Two)	Assigned
	Total	55.35		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Krishana Phoschem Limited derives comfort from its experienced management & strong group, comfortable financial risk profile, growing revenue base with healthy profitability margin, strong brand presence & marketing network, diversified product portfolio and strategic location of the plant. However, the rating strengths are partially offset by highly regulated fertilizer & chemical industry, fluctuation in prices of raw materials and climatic challenges.

Key Rating Sensitivities

Upward Factors

- Substantial and sustained improvement in revenue while maintaining the profitability and debt protection metrics.



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Downward Factors

- Any decline in revenue and/or profitability impacting the debt protection metrics or liquidity.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Management with strong group support

The company is being managed by experienced personnel. The Ostwal group is promoted by Mr. Mahendra Kumar Ostwal, Chairman and Managing Director of the Ostwal Group, who has over three decades of experience in the fertilizer industry and is assisted by his sons, Mr. Pankaj Ostwal and Mr. Praveen Ostwal. The group concern includes Ostwal Phoschem (India) Limited (IVR BBB+/Stable and IVR A2) Krishana Phoschem Limited (KPL), Madhya Bharat Agro Products Limited (MBAPL) and Season International Private Limited (SIPL). The group companies benefit in terms of experienced management with financial support from the parent company and their established position in the fertilizer industry.

Comfortable and stable financial risk profile:

KPL has a comfortable and stable capital structure over the last three account closing dates backed by scheduled repayment of term debt obligations and accretion of profit to net worth. The overall gearing ratio of the Company is at 0.10x as on March 31, 2020 (FY19: 0.29x, FY18: 0.60x) and the long-term debt to equity stood at 0.09x as on March 31, 2020 (0.19x, 0.38x). The debt protection metrics of the company improved and remained comfortable marked by interest coverage of 12.81x as on March 31, 2020 and 10.03x as on March 31, 2019. Further, debt to equity ratio stood at 0.09x as on March 31, 2020 (0.19x, 0.38) and TOL to TNW stood at 0.26x as on March 31, 2020 (0.55x, 0.77).

Increasing revenue profile along with healthy EBITDA margin:

The company's operating revenue showed steady increase with a CAGR of ~ 27% in the last three years ended FY2020, total operating income in FY20 increased to to INR162.95 Crore from INR152.71 Crore in FY19 and INR95.76 Crore in FY18 on account of increase in sales price realisation with increasing capacity utilisation along with the subsidy received from the



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government. The company has witnessed substantial improvement in operating income by selling the product under its in house brand “ANNADATA”. During 9MFY21, total operating income remained almost stable and stood at INR136.13 Crore as on December 31, 2020 compared to INR138.34 Crore as on December 31, 2019. The EBIDTA margin of the company also remained range bound within 20%-21% and increased steadily over the last three fiscals ended in FY20 on the back of stability in cost of production & overheads costs of the company, PAT margin stood stable in FY20 and FY19 (FY20: 8.45%, FY19: 8.83% and FY18: 3.66%) . The EBITDA margin for 9MFY21 stood at 23.41% as compared to 9MFY20 at 20.31% and PAT margin of 10.86% in 9MFY21 (9MFY20: 9.06%)

Strong Brand Presence & marketing network:

KPL derives its revenues from three main product streams (Single Super Phosphate, H. Acid, Sulphuric Acid) across 5 states namely Rajasthan, Madhya Pradesh, Chhattisgarh, Gujarat, and Maharashtra. The company initially until March 31, 2018 was marketing its fertilizers through Shriram Fertilizers and Chemicals (SFC) a unit of DCM Shriram Limited, however, due to change in policy from April 01, 2018 of subsidy claim where manufacturer will get subsidy instead of marketing company as well as discontinue of use of brand name of marketing company, it discontinued its agreement with SFC. The company has been marketing its fertilizer products under its own brand name of “ANNADATA” since then and has an in-house marketing team of approximately 50 personnel spread across the country. The company also has a network of approximately 1500 dealers and distributors and 10,000 retail outlets where the company’s products are supplied.

Diversified Product Portfolio:

KPL has diversified its product range of fertilizers with its product portfolio consisting of organic fertilizers along with chemical fertilizers such as single super phosphate (SSP), Benefited Rock Phosphate (BRP), S. Acid, H. Acid, and others. During 9MFY21, the proportion of chemical fertilizers in KPL net sales grew on account of increasing demand in the market.

Strategically located plant:

The manufacturing units of the KPL are being located in such a geographical location, where the distribution of the fertilizers can be routed productively to the respective agricultural states



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where the fertility of the land is favourable for agricultural produce. The marketing team of KPL is spread across pan India level and any demand for the SSP and BRP can be completed with minimum lead time.

Key Rating Weaknesses

Government regulated fertilizer and chemical industry:

The prices in fertilizer and chemical industry are highly regulated by the government and is characterized by constant changes in policies. Until March 31, 2018 subsidy on SSP was being claimed and reimbursed by the Government to marketing company. However, with effect from April 01, 2018 the subsidy can be claimed by the manufacturers and not the marketing company. The benefit of subsidy will get transferred to manufacturers upon authentication of purchase by farmers which in turn help in restricting diversion leading to transparency, accountability and efficiency in the system. The subsidy for the raw material phosphorus (P) has declined by 2.10% for FY20-21. Nutrient based subsidies for nitrogen (N), potash (K) and sulphur (S) have been reduced by 0.58%, 8.99% 33.43% respectively for FY20-21.

Fluctuation in prices of raw materials:

India is considered to be one of the largest fertilizer importer in the world, with imported Urea and DAP fertilizers playing a major part in meeting the domestic demand. Rock Phosphate is one of the important raw material for manufacturing of phosphate fertilizers including SSP. This rock is available, subject to certain restrictions on its purchase in large quantities in India. India meets almost 85% of its rock phosphate requirement through imports. While according to a geological survey of India, India has an estimated 250 Million Tonnes (MT) reserves with 150 MT of it is expected to be in the fertilizer grade yet the country majorly imports rock phosphates from other countries like Egypt, Jordan, Bangladesh, Morocco, US and Middle East. Furthermore, the profitability of the company is vulnerable to any adverse movement in raw material prices as the company will not be immediately able to pass on the increased price to its customers due its high raw material inventory holding period. KPL doesn't have any long term contract with the raw material suppliers, however the contract is being renewed on annual basis.



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Climatic challenges-

India is an agricultural country and the fertilizer industry is dependent upon agricultural produce in the country, with any unfavorable climatic changes can impact the overall demand for fertilizers. MBAPL is not an exception, the product manufactured by the company are highly dependent on onset of monsoon & other climatic condition in the country.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Strong

The current ratio remained comfortable at 2.82x and 1.33x as on March 31, 2020. The company's working capital utilisation also remains adequate at ~48% for the 12 months ended January, 2021. The company is expected to generate sufficient cash accruals on the back of steady increase in operations as against the scheduled debt repayment. The liquidity of the company expected to remain strong in the near to medium term. The company has cash and cash equivalent balance of INR1.84 Crore (cash balance) as on March 31, 2020.

About the Company

Krishana Phoschem Limited (KPL) was initially promoted by Mr. RoopLal Patel, Mrs. Leela Patel, Mr. Jitendra Patel, Mr. Vinod Paliwal, Mrs. Geeta Paliwal, Mr. Narendra Paliwal and Mr. Dilip Kumar Gadia with a common objective for manufacturing fertilizers and has successfully implemented the SSP (Single Super Phosphate) plant at Unit I (District- Jhabua, Madhya Pradesh) in the year 2004. The commercial production for the same was started in year 2005-06. Later in the year 2007 Krishanan Phoschem was taken-over by Mr. Praveen Ostwal and Seasons Agro Chem India Pvt. Ltd. Presently Mr. Praveen Ostwal, Ostwal Phoschem (India) Limited and Seasons Agro Chem India Pvt. Ltd. are the promoters of the company. In 2004 KPL came in current management of "Ostwal Group of Industries [M/s Ostwal Phoschem (India) Ltd (OPIL) was incorporated as a Private Limited Company in the year 1989 under the name Tedco Granite Private Limited and was subsequently converted into a Public Limited



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Company in the Year 1997; Ostwal Phoschem (India) Ltd is the holding company of KPL which holds 63.39% share in KPL]. Krishana Phoschem Limited got listed on NSE emerging platform in 2018. The registered office and corporate office of the company is situated at Bhilwara, Rajasthan and three manufacturing units located in Jhabua district of Madhya Pradesh state. The company is in the business of manufacturing of fertilizers and other agro chemicals. The company has an installed capacity to manufacture 1,20,000 MTPA of Single Super Phosphate, 90,000 MTPA of Granulated Single Super Phosphate, 90,000 MTPA of Beneficiated Rock Phosphate, 99,000 MTPA of Sulphuric Acid and 13,24,000 MT of Ash Acid.

Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	152.71	162.95
EBITDA	33.49	35.26
PAT	13.51	13.77
Total Debt	31.98	12.14
Tangible Net-worth	109.68	124.77
Ratios		
EBITDA Margin (%)	21.93	21.64
PAT Margin (%)	8.83	8.45
Overall Gearing Ratio (x)	0.29	0.10

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	12.35	IVR BBB+/Stable Outlook	--	--	--
2.	Cash Credit	Long Term	17.00	IVR BBB+/Stable Outlook	--	--	--
3.	Letter of Credit	Short Term	25.00	IVR A2	--	--	--



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4.	Pre Settlement Risk (PSR)	Short Term	1.00	IVR A2	--	--	--
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Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Term Loan	-	-	March, 2023	12.35	IVR BBB+/Stable Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	17.00	IVR BBB+/Stable Outlook
Short Term Non-Fund Based – Letter of Credit	-	-	Up to 180 days	25.00	IVR A2
Short Term Non-Fund Based – PSR	-	-	Up to 180 days	1.00	IVR A2