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Madhya Bharat Agro Products Limited (MBAPL)

April 06th, 2022

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1.	Long Term Fund Based Bank Facility – Term Loan	38.42 (Reduced from INR49.97 Crore)	IVR A-/Stable (IVR A Minus with Stable Outlook)	Revised	Simple
2.	Long Term Fund Based Bank Facility – Cash Credit	60.00 (Increased from INR15.50 Crore)	IVR A-/Stable (IVR A Minus with Stable Outlook)	Revised	Simple
3.	Long Term Fund Based Bank Facility – GECL (Working Capital Term Loan)	3.56	IVR A-/Stable (IVR A Minus with Stable Outlook)	Assigned	Simple
4.	Short Term Non - Fund Based Bank Facility – Pre Settlement Risk (PSR)	4.50 (increased from INR1.50Crore)	IVR A2+ (IVR A Two Plus)	Revised	Simple
5.	Short Term Non - Fund Based Bank Facility – Letter of Credit	35.00 (Increased from INR1.00 Crore)	IVR A2+ (IVR A Two Plus)	Revised	Simple
6.	Proposed Long Term Fund Based Facility – Cash Credit	2.58	IVR A-/Stable (IVR A Minus with Stable Outlook)	Assigned	Simple
	Total	144.06			

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Madhya Bharat Agro Products Limited (MBAPL) continues to derive comfort from its experienced management with strong group support, comfortable and stable financial risk profile, improving revenue profile along with healthy & range bound profit margins, strong brand presence & marketing network along with locational advantage and incremental benefit from the completed capex in the projected period. However, the rating strengths are partially offset by working capital intensive nature



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of operations, exposed to regulatory risk, scale and profitability susceptible to volatility in raw material prices and vagaries of agro-climatic conditions.

Key Rating Sensitivities:

- **Upward Factor**

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

- **Downward Factor**

- 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 Ostwal Group of Industries (OGI) 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 (OPIL), Krishana Phoschem Limited (KPL), Madhya Bharat Agro Products Limited (MBAPL), Season International Private Limited (SIPL) and Shree Ganpati Fertilizers Limited (SGFL). 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

The group 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 group is at 0.28x as on March 31, 2021 (FY20: 0.20x). The debt protection metrics of the company improved and remained comfortable marked by interest coverage of 14.91x as on March 31, 2021(FY20: 12.94). Further, debt to equity ratio stood at 0.17x as on March 31, 2021(FY20: 0.13x) and TOL to TNW stood at 0.53x as on March 31, 2021(FY20: 0.52x).



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Improving revenue profile along with healthy & range bound profit Margins

The Group's operating revenue showed steady increase with a CAGR of more than 100% in the last three years ended FY21, total operating income in FY21 increased to INR558.83 Crore from INR380.48 Crore in FY20 on account of increase in sales price realization with increasing capacity utilization along with the subsidy received from the government. The company has witnessed substantial improvement in operating income by selling the product under its in house brand "ANNADATA". The EBIDTA margin of the group also remained range bound within 19%-22% and increased steadily over the last three fiscals ended in FY21 on the back of stability in cost of production & overheads costs of the company, PAT margin increased in FY21 as compared to previous years (FY21: 11.29%, FY20: 10.43%).

Strong Brand Presence & marketing network

The group 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: the group 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.

Location advantage

Location advantage with plants in interior areas to facilitate better access to consumer markets as the manufacturing facilities of Ostwal group are located in interiors of Rajasthan and Madhya Pradesh which ensures good rural coverage in those areas and better



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connectively and ease of logistics for distribution purpose. The manufacturing plants strategic locations also provide better access to end-user markets, along with lower freight costs against competitors.

Incremental benefit expected in projected period from completed capex

The company has set up a manufacturing unit of Triple Super Phosphate (TSP) fertilizer with an installed capacity of 66,000 MTPA along with units for manufacturing Beneficiated Rock Phosphate (BRP), Phosphoric Acid and Sulphuric Acid, with additional installed capacities of 66,000 MTPA, 19,800 MTPA and 62,700 MTPA respectively. The total capex amounting INR92.14 Crore was funded by Term Loan amounting to INR60.00 Crore and balance from internal accruals. The capex is completed and the manufacturing process has started from October 7th, 2021. The completed capex has reflected top line growth in the 9MFY22 financials as compared to previous year, wherein the top line has increased from INR318.82 Crore in 9MFY21 to INR345.94 Crore in 9MFY22 and EBITDA of INR34.98 Crore and INR73.12 Crore respectively in 9M of FY21 and FY22. Further, incremental benefit from the completed CAPEX in the projected period is the key monitorable factor.

Key Rating Weaknesses

Working capital intensive nature of operations.

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. OGI is not an exception, the product manufactured by the company are highly dependent on onset of monsoon & other climatic condition in the country.

Owing to this seasonal nature of its business, the group needs to maintain comfortable inventory levels as reflected by inventory days of 145 and 122 in FY20 and FY21, respectively. However, debtor days are comfortable with the prudent collection process at 65 days and 48 days in fiscal years FY20 and FY21. However, the overall operating cycle stands moderately comfortable and expected to remain in the projected period as well.

Exposed to regulatory risk

Since OGI group operates in a highly regulated industry, the selling prices of its products are dependent upon the subsidy allocated by the Government of India to various nutrients. The



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company's operations, thus, remain exposed to any sharp variations in the subsidy amount and delays in receipt of the same, apart from any other regulatory intervention on product prices.

Scale and profitability susceptible to volatility in raw material prices and vagaries of agro-climatic conditions

Prices of key raw materials such as rock phosphate and sulphuric acid have linkages with the global market and exhibit volatility with change in international prices as well as foreign exchange rates. Since OGI needs to maintain adequate inventory due to the seasonal nature of the fertiliser and seeds industry, the stocked inventory is exposed to inventory price risk, given the volatility in raw material prices. Moreover, group's scale of operations and profitability also remain susceptible to agro-climatic conditions in the country since the demand for seeds and fertilisers in India is generally influenced by the monsoons

Analytical Approach :

Consolidated Approach

For arriving at the rating, Infomerics has considered the consolidated financial profiles of OPIL, MBAPL, KPL, SGFL and SIPL, together known as Ostwal Group of Industries (OGI), to arrive at the rating. The consolidation is on account of common management, similar line of business, and significant operational and financial linkages during the year.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

Liquidity: Adequate

The current ratio of the group remained comfortable at 1.87x and 0.95x as on March 31, 2021. The company's cash flow from operation also remains adequate. 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 adequate in the near to medium term. The average fund based working capital utilization of the group during the last twelve months ended February 28, 2022 remains comfortable at



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around ~58.07%. The company maintains cash and cash equivalent balance of ~INR7.42 Crore as on March 31, 2021.

About the Company

Madhya Bharat Agro Products (MBAPL)- is as ISO 9001:2015 Certified company which got incorporated in year 1997 as private sector unit manufacturing Single super phosphate with production capacity of 60,000 MTPA, later in 1999 it was converted to public limited company and by 2004 it 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 Company in the Year 1997; OstwalPhoschem (India) Ltd is the holding company of MBAPL which holds 65.29% share in MBAPL]. Madhya Bharat Agro Products got listed on NSE emerging platform in 2018. The registered office and corporate office of the Company is situated at Bhilwara, Rajasthan and two manufacturing units located in Sagar district of Madhya Pradesh state. The company is in the business of manufacturing of fertilizers and other agro chemicals. After completing the CAPEX, the company has an installed capacity to manufacture 180,000 MTPA of Single Super Phosphate, 21,079 MTPA of DAP/NPK and 66,000 MTPA of Beneficiated Rock Phosphate (BRP), 19,800 MTPA of Phosphoric Acid and 62,700 MTPA of Sulphuric Acid.

Financials: Consolidated

(INR. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Revenue	380.80	563.73
EBITDA	85.38	106.80
PAT	39.72	63.64
Total Debt	66.68	107.39
Tangible Net-worth	332.29	388.25
Ratios (%)		
EBITDA Margin (%)	22.44	19.11
PAT Margin (%)	10.43	11.29
Overall Gearing Ratio (x)	0.20	0.28

* Classification as per Infomerics' standards



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Financials: Standalone

(INR. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Revenue	130.86	185.71
EBITDA	34.72	41.59
PAT	14.84	20.24
Total Debt	39.98	70.32
Tangible Net-worth	130.36	149.36
Ratios (%)		
EBITDA Margin (%)	26.53	22.40
PAT Margin (%)	11.32	10.89
Overall Gearing Ratio (x)	0.31	0.47

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (April 14, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Bank Facility – Term Loan	Long Term	38.42	IVR A-/Stable	IVR BBB+/Stable Outlook	-	-
2.	Long Term Fund Based Bank Facility – Cash Credit	Long Term	60.00	IVR A-/Stable	IVR BBB+/Stable Outlook	-	-
3.	Long Term Fund Based Bank Facility – GECL (Working Capital Term	Long Term	3.56	IVR A-/Stable	IVR BBB+/Stable Outlook	-	-



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	Loan)						
4.	Short Term Non -Fund Based Bank Facility – Pre Settlement Risk (PSR)	Short Term	4.50	IVR A2+	IVR A2	-	-
5.	Short Term Non -Fund Based Bank Facility – Letter of Credit	Short Term	35.00	IVR A2+	IVR A2	-	-
6.	Proposed Long Term Fund Based Facility – Cash Credit	Long Term	2.58	IVR A-/Stable	IVR BBB+/Stable Outlook	-	

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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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deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facility – Term Loan	--	--	Up to April, 2027	38.42	IVR A-/Stable
Long Term Fund Based Bank Facility – Cash Credit	--	--	--	60.00	IVR A-/Stable
Long Term Fund Based Bank Facility – GECL (Working Capital Term Loan)	--	--	Up to April, 2027	3.56	IVR A-/Stable
Short Term Non - Fund Based Bank Facility – Pre Settlement Risk (PSR)	--	--	--	4.50	IVR A2+
Short Term Non - Fund Based Bank Facility – Letter of Credit	--	--	--	35.00	IVR A2+
Proposed Long Term Fund Based Facility – Cash Credit	--	--	--	2.58	IVR A-/Stable

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
<i>Ostwal Phoschem (India) Limited {OPIL}</i>	<i>Full*</i>
<i>Madhya Bharat Agro Products Limited (Subsidiary) {MBAPL}</i>	<i>Full*</i>
<i>Krishana Phoschem Limited (Subsidiary) {KPL}</i>	<i>Full*</i>



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<i>Shri Ganpati Fertilizers Limited (Subsidiary) {SGFL}</i>	<i>Full*</i>
<i>Seasonal International Private Limited (Associate) {SIPL}</i>	<i>Up to the extent of share in profit @40%**</i>

**Intercompany transaction has been adjusted as per Infomerics standard.*

***Consolidation is on the basis of Equity Method as per AS 23 (Accounting for Investments in Associates in Consolidated Financial Statements)*

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Madhya-Bharat-apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.