



Press Release

Madhya Bharat Agro Products Limited (MBAPL)

October 3, 2023

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1.	Long Term Fund Based Bank Facility – Term Loan	49.98	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Reaffirmed	Simple
2.	Long Term Fund Based Bank Facility – Cash Credit	158.00	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Reaffirmed	Simple
3.	Long Term Fund Based Bank Facility – Cash Credit	60.00	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Assigned	Simple
4.	Long Term Fund Based Bank Facility – GECL	1.59	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Reaffirmed	Simple
5.	Short Term Non - Fund Based Bank Facility – Letter of Credit	87.00	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
6.	Short Term Non - Fund Based Bank Facility – Letter of Credit	30.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
7.	Short Term Non - Fund Based Bank Facility – LER (Loan Equivalent Risk)	9.50	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
	Total	396.07	(Rupees Three Hundred Ninety six crores and seven lakhs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation/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



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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 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 financial risk profile

The group has had 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 as well as TOL/TNW has increased during FY23 to 0.94x and 1.61x respectively (FY22:0.56x and 0.83x respectively) due to additional working capital borrowings. The debt protection metrics of the company remained comfortable marked by interest coverage of 10.61x as on March 31, 2023 (FY22: 14.79x). and TOL to TNW stood 1.61x as on March 31, 2023 (FY22: 0.83x). IVR expects debt



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protection metrics to remain comfortable due to absence of any debt led capex as well as stable profitability.

Improvement in revenue and stable profitability:

Ostwal group's revenue has improved by 45% during FY23 to Rs.1,542.69crs led by increase in volume with additional capacities of MBAPL along with higher realizations. During FY23, IVR expects Ostwal groups revenue to improve further with benefits of additional capacities of KPL. The EBITDA margin of the group also remained stable during FY22 and FY23 at 20.35% and 19.51% respectively due to stable cost, PAT margins also remained stable in FY23 and FY22 at 11.37% and 11.71% respectively.

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 discontinuation 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.

Strategically located plant along with expected incremental benefit from the capex in KPL:

The manufacturing units of the KPL are strategically located in the vicinity of Agri economy dominated states. The marketing team of KPL is spread across pan India level and any



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demand for the SSP and BRP can be completed with minimum lead time. Further, the Company has started manufacturing of its rich value-added highly demanding products DAP & NPK complex fertilizer variants regions in India with installed capacity of 330000 MTPA. The company will be producing different variants of NPK fertilizers in the same unit by changing raw materials and / or their proportion and perhaps the process conditions, wherein the project can deliver a variety of NPK fertilizers based on market requirement except Urea. The plant will further add integration of the existing facility and will provide economies of scale.

Location advantage

Location advantage with plants in interior areas to facilitate better access to consumer markets as the manufacturing facilities of Ostwal group are in interiors of Rajasthan and Madhya Pradesh which ensures good rural coverage in those areas and better connectivity and ease of logistics for distribution purpose. The manufacturing plant's strategic locations also provide better access to end-user markets, along with lower freight costs against competitors.

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 products manufactured by the company are highly dependent on onset of monsoon & other climatic conditions 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 98 and 118 in FY22 and FY23, respectively. However, debtor days are comfortable with the prudent collection process at 48 days and 59 days in fiscal years FY22 and FY23 respectively. However, the overall operating cycle stands moderately comfortable and expected to remain in the projected period as well.

Exposed to regulatory risk:

Since Ostwal 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 company's operations, thus, remain exposed to any sharp variations in the subsidy



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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 Ostwal Group 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

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 \(Non-financial Sector\)](#)

[Criteria on Consolidation of Companies](#)

[Criteria of Rating Outlook](#)

Liquidity: Adequate

The current ratio of the group remained comfortable at 1.55x as on March 31, 2023 (FY22: 1.77x). 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



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adequate in the near to medium term. The average fund based working capital utilization of the group during the last twelve months ended May 2023 remains comfortable at around ~69.75% whereas non fund based working capital utilization remains comfortable at around ~60%. The company maintains a cash and cash equivalent balance of Rs.6.03 Crore as on March 31, 2023.

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; Ostwal Phoschem (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.

Financials: Consolidated

(INR. Crore)

For the year ended/ As On*	31-3-2022 (Audited)	31-3-2023 (Audited)
Total Revenue	1062.55	1542.69
EBITDA	216.18	301.20
PAT	124.81	176.40
Total Debt	300.11	677.86
Tangible Net-worth	536.69	722.44
Ratios (%)		
EBITDA Margin (%)	20.35	19.51
PAT Margin (%)	11.71	11.37
Overall Gearing Ratio (x)	0.56	0.94

* Classification as per Infomerics' standards

Financials: Standalone

(INR. Crore)



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For the year ended/ As On*	31-3-2022 (Audited)	31-3-2023 (Audited)
Total Revenue	491.49	982.05
EBITDA	106.60	209.79
PAT	57.03	124.22
Total Debt	163.77	322.64
Tangible Net-worth	205.32	328.38
Ratios (%)		
EBITDA Margin (%)	21.69	21.36
PAT Margin (%)	11.60	12.58
Overall Gearing Ratio (x)	0.80	0.98

* 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 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 10, 2022)	Date(s) & Rating(s) assigned in 2022-23 (April 6, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 14, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Bank Facility – Term Loan	Long Term	49.98	IVR A- /Stable	IVR A- /Stable	IVR A- /Stable	IVR BBB+/Stable Outlook	-
2.	Long Term Fund Based Bank Facility – Cash Credit	Long Term	158.00	IVR A- /Stable	IVR A- /Stable	IVR A- /Stable	IVR BBB+/Stable Outlook	-
3.	Long Term Fund Based Bank Facility – GECL (Working Capital Term Loan)	Long Term	1.59	IVR A- /Stable	IVR A- /Stable	IVR A- /Stable	IVR BBB+/Stable Outlook	-



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4.	Short Term Non -Fund Based Bank Facility – Letter of Credit	Short Term	87.00	IVR A2+	IVR A2+	IVR A2+	IVR A2	-
5.	Short Term Non -Fund Based Bank Facility – Pre Settlement Risk (PSR)	Short Term	9.50	IVR A2+	IVR A2+	IVR A2+	IVR A2	-

Name and Contact Details of the Rating Team:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital 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: 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 2028	49.98	IVR A-/Stable
Long Term Fund Based Bank Facility – Cash Credit	--	--	--	158.00	IVR A-/Stable
Long Term Fund Based Bank Facility – Cash Credit	--	--	--	60.00	IVR A-/Stable
Long Term Fund Based Bank Facility – GECL	--	--	--	1.59	IVR A-/Stable
Short Term Non - Fund Based Bank Facility – Letter of Credit	--	--	--	87.00	IVR A2+
Short Term Non - Fund Based Bank Facility – Letter of Credit	--	--	--	30.00	IVR A2+
Short Term Non - Fund Based Bank Facility – LER (Loan Equivalent Risk)				9.50	IVR A2+

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)</i>	<i>Full*</i>



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{MBAPL}	
Krishana Phoschem Limited (Subsidiary) {KPL}	Full*
Shri Ganpati Fertilizers Limited (Subsidiary) {SGFL}	Full*
Seasonal International Private Limited (Associate) {SIPL}	Up to the extent of share in profit @40%**

*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-MBAPL-oct23.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.