



## Press Release

### Shri Ganpati Fertilizers Limited (SGFL)

**November 10, 2022**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	<a href="#">Complexity indicators</a>
1	Long Term Fund Based Bank Facility – Term Loan	5.32 (Increased from 0.40)	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Reaffirmed	Simple
2	Long Term Fund Based Bank Facility – Cash Credit	20.00 (Increased from 15.00)	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Reaffirmed	Simple
3	Short Term Non - Fund Based Bank Facility – Letter of Credit	15.00 (Increased from 4.50)	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
4	Short Term Non - Fund Based Bank Facility – Pre Settlement Risk (PSR)	2.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
5	Proposed Long Term Fund Based Facility	0.08	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Assigned	Simple
6	Proposed Short Term Non Fund Based Facility – LC	10.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
	<b>Total</b>	<b>52.40</b>			

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating reaffirmation/assigned to the bank facilities of Shri Ganpati Fertilizers Limited (SGFL) 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. 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.



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### 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 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 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 0.56x as on March 31, 2022 (FY21: 0.28x). The debt protection metrics of the company remained comfortable marked by interest coverage of 14.979x as on March 31, 2022(FY21: 14.91x). Further, debt to equity ratio stood at 0.21x as on March 31, 2022(FY21: 0.17x) and TOL to TNW stood 0.83x at as on March 31, 2022(FY21: 0.53x). The slight decline in FY22 debt protection parameters is backed by the increase in the debt exposures taken by the company to increase its scale of operation and complete the planned CAPEX in MBAPL and KPL.



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### **Increasing revenue profile along with range bound profit Margins**

The Group's operating revenue showed steady increase with a CAGR of more than 50% in the last three years ended FY22, total operating income in FY22 increased to INR1062.55 Crore from INR558.83 Crore in FY22 on account of increase in sales price realization with increasing capacity utilization along with the substantial increase in the amount of 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 FY22 on the back of stability in cost of production & overheads costs of the company, PAT margin increased in FY22 as compared to previous years (FY22: 11.71%, FY21: 11.29%).

### **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 connectivity



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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 from the completed capex**

The company has set up a manufacturing unit of Triple Super Phosphate (TSP)/ Di Ammonium Phosphate (DAP) / nitrogen, phosphorus, and potassium (NPK) fertilizer with an installed capacity of 1,20,000 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 INR30.00 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 FY22 financials as compared to previous year, wherein the top line has increased from INR491.49 Crore in FY21 to INR941.04 Crore in FY22 along with the increase in the amount of profitability. 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 122 and 100 in FY21 and FY22, respectively. However, debtor days are comfortable with the prudent collection process at 48 days and 43 days in fiscal years FY21 and FY22 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.



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The 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 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 Approach**

*For arriving at the rating, Infomerics has considered the consolidated financial profiles of OPL, MBAPL, KPL, SGFL and SIPL, together known as Oswal Group, 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 1.77x as on March 31, 2022 (FY21: 1.87x). 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 September, 2022 remains comfortable at around ~58.58%. The company maintains cash and cash equivalent balance of ~INR21.63 Crore as on March 31, 2022.

### About the Company

Shri Ganpati Fertilizers Limited is involved in Manufacturing of Single Super Phosphate (SSP) Fertilizer having installed capacity of 99000 MT per annum of SSP and Granular Single Super Phosphate (GSSP). Company is taken over through mode of purchase of share by Ostwal Group of Industries on 19<sup>th</sup> May 2020 and it became subsidiary company of Ostwal Phoschem (India) Limited, Parent company of Ostwal Group of Industries.

### Financials: Consolidated

(INR. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Revenue	558.83	1062.55
EBITDA	106.80	216.18
PAT	63.64	124.81
Total Debt	107.39	300.11
Tangible Net-worth	388.25	536.69
<b>Ratios (%)</b>		
EBITDA Margin (%)	19.11	20.35
PAT Margin (%)	11.29	11.71
Overall Gearing Ratio (x)	0.28	0.56

\* Classification as per Infomerics' standards

### Financials: Standalone

(INR. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Revenue	29.04	111.47
EBITDA	1.94	16.45
PAT	4.63	10.63
Total Debt	15.12	33.44





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Tangible Net-worth	4.18	19.63
<b>Ratios (%)</b>		
EBITDA Margin (%)	6.70	14.76
PAT Margin (%)	15.79	9.52
Overall Gearing Ratio (x)	3.62	1.70

\* 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 6, 2022)	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	5.32	IVR A-/Stable	IVR A-/Stable	-	-
2.	Long Term Fund Based Bank Facility – Cash Credit	Long Term	20.00	IVR A-/Stable	IVR A-/Stable	-	-
3.	Short Term Non -Fund Based Bank Facility – Letter of Credit	Short Term	15.00	IVR A2+	IVR A2+	-	-
4.	Short Term Non -Fund Based Bank Facility – Pre Settlement Risk (PSR)	Short Term	2.00	IVR A2+	-	-	-
5.	Proposed Long Term Fund Based Facility	Short Term	0.08	IVR A2+	-	-	-
6.	Proposed Short Term Non Fund	Short Term	10.00	IVR A2+	-	-	-



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	Based Facility – LC						
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Email: [abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)**About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not 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.





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### 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 September, 2026	5.32	IVR A-/Stable
Long Term Fund Based Bank Facility – Cash Credit	--	--	--	20.00	IVR A-/Stable
Short Term Non - Fund Based Bank Facility – Letter of Credit	--	--	--	15.00	IVR A2+
Short Term Non - Fund Based Bank Facility – Pre Settlement Risk (PSR)	--	--	--	2.00	IVR A2+
Proposed Long Term Fund Based Facility	--	--	--	0.08	IVR A2+
Proposed Short Term Non Fund Based Facility – LC	--	--	--	10.00	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) {MBAPL}</i>	<i>Full*</i>
<i>Krishana Phoschem Limited (Subsidiary) {KPL}</i>	<i>Full*</i>
<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)*



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**Annexure 3:** Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-SGFL-nov22.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](http://www.infomerics.com).