



Press Release

Ostwal Phoschem (India) Limited (OPIL)

January 07, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Term Loan	0.34	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Bank Facility – Cash Credit	21.00	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
3.	Short Term Non -Fund Based Bank Facility – Letter of Credit	15.00	IVR A2 (IVR Single A Two)	Assigned
	Total	36.34		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Ostwal Phoschem (India) Limited derives comfort from its experienced management & strong group, steady increase in operations with maintaining stable profit margins, comfortable financial risk profile, diversified operations and marketing arrangements with a diverse product portfolio. However, the rating strengths are partially offset by high volatility in prices of raw materials coupled with foreign exchange fluctuation risk and conducting operations in a highly regulated fertilizer and chemical industry.

Key Rating Sensitivities

Upward Factors

- Sustained & significant improvement in revenue & profitability while maintaining the debt protection metrics.

Downward Factors

- Any decline in revenue & profitability leading to deterioration in debt protection metrics



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Management with strong group

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 subsidiaries and group concerns include Krishana Phoschem Limited (OPIL holds: 64.28% stake), Madhya Bharat Agro Products Limited (65.05%) and Season International Private Limited (40%) respectively as on October 31, 2020. The subsidiary and 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:

OPIL has a comfortable and stable capital structure over the last three account closing dates ended March 2020(audited) backed by scheduled repayment of term debt obligations and accretion of profit to net worth. The overall gearing ratio stood at 0.18x as on March 31, 2020(FY19: 0.11x, FY18: 0.16x) and healthy debt protection metrics. The debt protection metrics of the company remained healthy marked by interest coverage of 9.73x as on March 31, 2020. Further, debt to equity ratio stood at 0.07x as on March 31, 2020 and total debt to GCA stood at 1.67 times.

Steady Increase in Operations with stable Profit Margins:

The company's topline is on a steady increase with a CAGR of ~ 44% in the last three years ended FY20 on the back of steady increase in operations and diversification in the product mix. The EBIDTA margins of the company also remained satisfactory and increased steadily over the last three fiscals ended in FY20 on the back of reduction in cost of production & overheads costs and venturing into trading by the company.

Diversified operations and marketing arrangements

OPIL derives its revenues from majorly six product streams across 9 states. 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



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as well as discontinuance of use of brand name of marketing company, it discontinued its agreement with SFS. The company has been marketing its fertilizer products under its own brand name of “ANNADATA” since then and has an inhouse 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

OPIL has diversified its product range of fertilizers with its product portfolio consisting of organic fertilizers including PROM and other organic nutrients; along with chemical fertilizers such as single super phosphate (SSP), Di-Ammonium Phosphate (DAP) and others. The company also trades in some chemical fertilizers like DAP and others. During 1HFY21, the proportion of chemical fertilizers in OPIL’s net sales grew substantially, on account of trading in Di-Ammonium Phosphate (DAP). This had resulted in substantial growth in revenue to INR 144.28 Crore (1HFY20: INR 43.91 Crore). The company has further completed a capex of around INR 5.64 Core as on March 31, 2020.

Key Rating Weaknesses

High volatility in prices of raw materials and foreign exchange fluctuation risk

Rock Phosphate is one of the important raw material for manufacturing of phosphatic fertilizers including SSP. This rock is not currently available in large quantities in India and higher quality of the rock is even more sparsely Hence, it majorly imports rock phosphates from other countries like Egypt, Bangladesh, Morocco, US and Middle East. Moreover, the company’s profitability is exposed to foreign exchange risk as the company doesn’t have a proper hedging mechanism in place. The unhedged Foreign exposure amount as on November 30, 2020 is Rs. 19.76 Crore. 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.

Highly 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



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company. DBT in fertilizer is meant to transfer subsidies 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

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Strong

The current ratio remained comfortable at 1.39x and 1.74x as on March 31, 2020 and March 31, 2019 respectively. 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 and diversification in operations as against the scheduled debt repayment. The liquidity of the company is expected to remain strong in the near to medium term. The average fund based working capital utilisation during the last twelve months ended November 2020 remains comfortable at around 58%.

About the Company

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. The Company was originally set up by Mr. A.K. Misra and was taken over by Ostwal Group in September 2002. The registered office and corporate office of the Company is situated at Bhilwara, Rajasthan. The company is in the business of manufacturing and trading of fertilizers. The company has an installed capacity to manufacture 132000 MTPA of Single Super Phosphate, 132000 of Granular Single Super Phosphate, 3000 MTPA of Phosphate rich organic manure and 3000 MTPA of zinc sulphate

Financials: Standalone

	(Rs. crore)	
For the year ended/ As On	31-03-2019	31-03-2020



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	(Audited)	(Audited)
Total Operating Income	101.37	116.12
EBITDA	13.10	15.40
PAT	7.56	11.86
Total Debt	11.80	22.30
Tangible Net-worth	108.75	120.81
Ratios		
EBITDA Margin (%)	12.92	13.26
PAT Margin (%)	7.37	10.04
Overall Gearing Ratio (x)	0.11	0.18

* 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	0.34	IVR BBB+/Stable Outlook	--	--	--
2.	Cash Credit	Long Term	21.00	IVR BBB+/Stable Outlook	--	--	--
3.	Letter of Credit	Short Term	15.00	IVR A2	--	--	--

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



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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	-	-	August 2025	0.34	IVR BBB+/Stable Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	21.00	IVR BBB+/Stable Outlook
Short Term Non-Fund Based - Letter of Credit	-	-	Upto 180 days	15.00	IVR A2