

Sai Fertilizers Private Limited

Instrument	Amount (In Rs. Crore)	Rating Action
Cash Credit	Rs. 18.00 crore	[ICRA]BBB-(Stable) reaffirmed
Non Fund Based Limits	Rs. 17.00 crore	[ICRA]A3 reaffirmed
Short term interchangeable limits*	Rs. 5.00 crore	[ICRA]A3 reaffirmed

*Rs. 5.00 crore of interchangeable limits is a sublimit of the non fund based limit and can be used as a cash credit facility

ICRA has reaffirmed the [ICRA]BBB- (pronounced ICRA triple B minus) rating to the Rs. 18.0-crore¹ cash credit facilities of Sai Fertilizers Private Limited (SFPL)². The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed a short-term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs. 17.0 crore non-fund based limits and Rs. 5.0-crore short-term interchangeable limits of the company. The short term interchangeable limits are sub limits of the long term cash-credit facility.

While reaffirming the ratings, ICRA has considered the business risk profile of SFPL along with its group companies, A.R.Stanchem Private Limited (ARSPL) and Sai Sulphonates Private Limited (SSPL), collectively a part of the "Fogla Group", since there are strong operational, financial and managerial linkages among the companies.

The ratings take into account the increase in production and sales of single super phosphate (SSP) by the company during the last two years leading to a robust growth in its operating income, the long experience of the promoters in the SSP fertilizer business and the easy availability of spent sulphuric acid, one of the key raw materials, due to sourcing of the same from the group companies located adjacently. The ratings also draw comfort from the healthy growth prospects for SSP in India due to sulphur deficiency in soil and high price of substitute products like di-ammonium phosphate (DAP).

The ratings are however, constrained by the vulnerability of profitability to agro climatic conditions and regulatory risks inherent in the fertiliser business and SFPL's adverse gearing and debt coverage indicators. ICRA also notes that delay in receipt of subsidy from Government of India, high credit period extended to the customers as well as high inventory holdings exert pressure on the working capital requirement of all SSP manufacturers, including SFPL. Moreover, dependence on imports for one of the key raw materials, rock phosphate, exposes the company to the risks associated with the adverse fluctuations in foreign currency rates.

About the 'Fogla Group'

The Fogla Group comprises a number of companies involved in different lines of businesses such as manufacturing of Linear Alkyl Benzene Sulphonic Acid (LABSA), PP/HDPE woven sacks/bags and fertilizers. The group is also involved in the manufacturing of machineries, spares and spinning cans for the jute and textile industry. Apart from Sai Fertilizers Pvt. Ltd, ICRA has rated other entities within the group viz. Sai Sulphonates Pvt. Ltd. (rated at [ICRA]BBB+(Stable)/[ICRA]A2) that manufactures LABSA as well as Sulphuric Acid and A.R. Stanchem Pvt. Ltd. (rated at [ICRA]BBB+(Stable)/ [ICRA]A2) which manufactures LABSA.

SFPL promoted by Mr. Sandeep Fogla and his family members was incorporated in 1993. It is involved in the business of manufacturing single super phosphate (SSP) at its facility in Kharagpur, West Bengal. Other than fertilizers, the management of SFPL also engages in the surfactants business by manufacturing Linear Alkyl Benzene Sulphonic Acid (LABSA) in two other companies namely, Sai Sulphonates Private Limited (SSPL) and A.R.Stanchem Pvt. Ltd (ARSPL). While SSPL is engaged in the manufacturing of LABSA (90% concentrate), LABSA (96% concentrate) and sulphuric acid for consumption in the domestic market, ARSPL is an export oriented unit engaged in the manufacturing of LABSA (90% concentrate) for exports. LABSA is the main raw material used in the synthetic detergent industries to produce household detergent powder, detergent cakes, liquid soap etc. Since both the entities are located in proximity, the group is benefitted in terms of operating efficiency achieved through bulk order of primary raw material i.e. LAB as well as usage of sulphuric acid,

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



another key raw material, produced in SSPL for both the entities. Moreover, one of the by-products in the production of LABSA is spent sulphuric acid which is used in manufacturing of single super phosphate by SFPL.

Company Profile

Sai Fertilizers Pvt. Ltd., incorporated in 1993, is primarily involved in the manufacturing of super single phosphate (SSP) at its facility in Kharagpur, West Bengal. The company has an installed annual capacity of 132000MT. During FY2016, the company has utilized around 55% of its installed capacity.

Recent Results

SFPL registered a profit after tax of Rs. 0.86 crore on the back of an operating income of Rs. 69.26 crore during FY2016 against a profit after tax of Rs. 0.36 crore on an operating income of Rs. 63.80 crore in FY2015.

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