

February 24, 2025

Rama Phosphates Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based limits	73.50	73.50	[ICRA]A- (Negative); reaffirmed
Short term – Non-fund based limits	42.10	42.10	[ICRA]A2+; reaffirmed
Long term/Short term – Unallocated	42.40	42.40	[ICRA]A- (Negative)/[ICRA]A2+; reaffirmed
Total	158.00	158.00	

*Instrument details are provided in Annexure I

Rationale

The ratings assigned to the bank lines of Rama Phosphates Limited (RPL/the company) factors in the company's established presence as a manufacturer of single super phosphate (SSP) fertiliser across Maharashtra, Madhya Pradesh, Rajasthan, Karnataka, West Bengal, Gujarat, Uttar Pradesh and Haryana. The ratings favourably consider the extensive experience of the promoters of more than five decades in the fertiliser and chemical businesses along with a diversified product portfolio comprising phosphate fertilisers, sulphuric acid and soya-based products. The ratings also factor in the integrated operations of the company wherein it also manufactures sulphuric acid which is used as an input for manufacturing SSP. The backward integration allows the company to benefit from assured availability. Also, when prices are volatile, the sulphuric acid can be sold when prices are high, while spent acid can be used to manufacture SSP.

The ratings, however, are constrained by the volatility in raw material prices, majorly rock phosphate and sulphuric acid. The company's ratings are also constrained by the foreign exchange impact as a large share of the raw material is imported. The company does not hedge its foreign currency exposure and given the fixed subsidy rates and little flexibility in changing the retail prices, the company's profitability is exposed to the volatility in foreign exchange rates.

The company's profitability is also exposed to regulatory risks pertaining to the announcement of subsidy by the GoI, which is a key driver of the industry's profitability. This, along with the schedule of the subsidy release, determines the working capital cycle of fertiliser companies. The ratings are also vulnerable to the vagaries of the monsoon as India's agricultural activity is linked to the monsoon rains.

Over the last couple of years, the company's credit metrics have moderated amid a significant volatility in raw material prices and the lowering of subsidy, resulting in losses in FY2024 and the overall profitability remaining modest. The company's interest coverage ratio improved to 2.9x in 9M FY2025 over -1.6x in FY2024. In FY2024, the company had to undertake sizeable inventory write-down due to the downward revision in subsidy at the end of H1 FY2024. ICRA expects the interest coverage ratio to remain between 3.0x and 3.5x over FY2025 to FY2027.

Key rating drivers and their description

Credit strengths

Established presence in SSP segment with strong distribution network; extensive experience of promoters – The company is promoted by the Ramsinghani family, which has an extensive experience in the fertiliser and seed industries. RPL has an established presence in Maharashtra, Madhya Pradesh, Rajasthan, Karnataka, Gujarat, West Bengal, Uttar Pradesh and Haryana through its network of dealers and distributors. The company's trademark brands are Suryaphool and Girnar. Further,

the strategic location of the company's manufacturing plants across Madhya Pradesh, Maharashtra and Rajasthan provide access to a vast end-user market.

Diversified product portfolio – The company has a diversified product mix consisting of SSP fertilisers, sulphuric acid and its derivatives and soya-based products. RPL also manufactures fortified SSP fertilisers, which include zincated and boronated SSP and micronutrients such as magnesium sulphate. Sulphuric acid manufactured at its Indore and Pune plants is also partly used to meet its own requirements.

Highly integrated operational structure – The company has a large in-house production capacity for sulphuric acid which enables backward integration as sulphuric acid is used as a raw material to produce SSP. Further, the company has co-generation units at its Indore and Pune plants where the steam generated through exothermic reaction from burning sulphur is used to generate power, leading to savings in power expenses. The excess steam from the Indore unit is also used for the soya division. The company took additional SSP capacity on lease in Q4 FY2022 and is in the midst of a greenfield project for additional SSP and sulphuric acid capacity.

Credit challenges

Volatility in raw material prices and foreign exchange rates - Prices of key raw materials such as rock phosphate and sulphuric acid are linked to the global market and exhibit volatility with the change in international prices and foreign exchange rates. As RPL needs to maintain adequate inventory due to the seasonal nature of the fertiliser industry, the volatility in raw material prices exposes it to inventory price risk.

Modest credit profile- The company's credit profile remains modest because of the working capital-intensive operations and modest profitability on the sale of SSP and sulphuric acid. The interest coverage ratio improved to 2.9x in 9M FY2025 after moderating to -1.6x in FY2024 as the company posted operating loss. Going forward, ICRA expects the interest coverage ratio to remain between 3.0x and 3.5x over FY2025 to FY2027.

Profitability susceptible to regulatory risk and agro-climatic risks - The company operates in the fertiliser industry which is highly regulated and dependent on the subsidy levels announced by the GoI and the timeliness of the release of the subsidy receivables. The subsidy announced by the GoI may sometimes be inadequate to ensure adequate profitability for the company. Additionally, its working capital cycle remains exposed to the timeliness of the subsidy release by the GoI. The fertiliser division's operations and profitability also remain susceptible to agro-climatic conditions as the demand for fertilisers in India is generally influenced by the monsoons due to the low coverage of irrigation. Further, the operations of its soya division remain vulnerable to the vagaries of crop cultivation in the country.

Modest profitability of soya business – The fertiliser and chemical divisions have driven a healthy improvement in the company's OPM in the last two years, but the margins of the soya oil division continue to be subdued due to low value addition.

Environmental and social risks

Environmental considerations - Global efforts towards decarbonisation and focus on the impact of fertiliser use on soil health may lead to the development of new types of fertilisers and lower the demand for conventional fertilisers. However, in India, ICRA does not expect any material impact on conventional fertiliser offtake in the near to medium term, given the country's import dependence as well as the time taken by the end consumers to accept new products.

Social considerations - Rising awareness about the use of chemical fertilisers in farming and the growing clamour for organic produce can impact fertiliser offtake. The productivity of organic farming remains low at present and, thus, the near-term risk to fertiliser offtake is low. Going forward, technological breakthroughs resulting in organic alternatives with equal or better productivity can pose a significant threat to fertiliser offtake, although the threat remains long term in nature.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate, supported by the availability of adequate working capital limits, fund flow from operations of Rs. 25-30 crore in FY2025 and minimal debt repayments. The company's capex is expected to be funded by a mix of internal accruals and the recently sanctioned Rs. 8-crore of term loan.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Stable and/or upgrade the ratings if the company is able to demonstrate a sustained improvement in its profitability and cash flow from operations, resulting in an improvement in the credit metrics while maintaining the liquidity position.

Negative factors – A sustained moderation in the company's scale and profitability, weakening the leverage and coverage metrics, will be a trigger for downgrade. Further, a stretch in the working capital cycle or a larger than-expected debt-funded capital expenditure weakening the liquidity profile could also put pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fertilizers
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

RPL manufactures phosphatic fertilisers - single super phosphate (SSP), fortified fertilisers namely boronated SSP as well as sulphuric acid and its derivatives. It also has a soya oil division which is engaged in the extraction of soya oil. RPL markets its fertilisers under the Suryaphool and Girnar brands in Maharashtra, Madhya Pradesh, Rajasthan, Karnataka, Gujarat, Uttar Pradesh and Haryana. The company's facilities at Indore, Pune, Udaipur and Nimbahera have a combined manufacturing capacity of 698,000 tonnes per annum (tpa) of SSP, 211,100 tpa of sulphuric acid and 120,000 tpa of soya oil.

Key financial indicators (audited)

RPL Standalone	FY2023	FY2024	9M FY2025*
Operating income	874.8	603.2	542.8
PAT	40.9	-31.1	8.4
OPBDIT/OI	8.5%	-3.6%	4.9%
PAT/OI	4.7%	-5.2%	1.6%
Total outside liabilities/Tangible net worth (times)	0.7	1.1	
Total debt/OPBDIT (times)	1.6	-6.9	
Interest coverage (times)	8.7	-1.6	2.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current rating (FY2025)		Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024				Date & rating in FY2023		Date & rating in FY2022	
				Feb 24, 2025	Mar 12, 2024	Sept 28, 2023	Sep 07, 2023	July 28, 2022	June 30, 2022	19-Apr-2021	07-Apr-2021
1	Fund-based limits	Long term	73.50	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Non-fund based limits	Short term	42.10	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2	[ICRA]A2
3	Unallocated	Long term and short term	42.40	[ICRA]A- (Negative)/ [ICRA]A2+	[ICRA]A- (Negative)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based limits	Simple
Short term - Non-fund based limits	Very Simple
Long term/Short term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based limits	NA	NA	NA	73.50	[ICRA]A- (Negative)
NA	Non-fund based limits	NA	NA	NA	42.10	[ICRA]A2+
NA	Unallocated	NA	NA	NA	42.40	[ICRA]A- (Negative)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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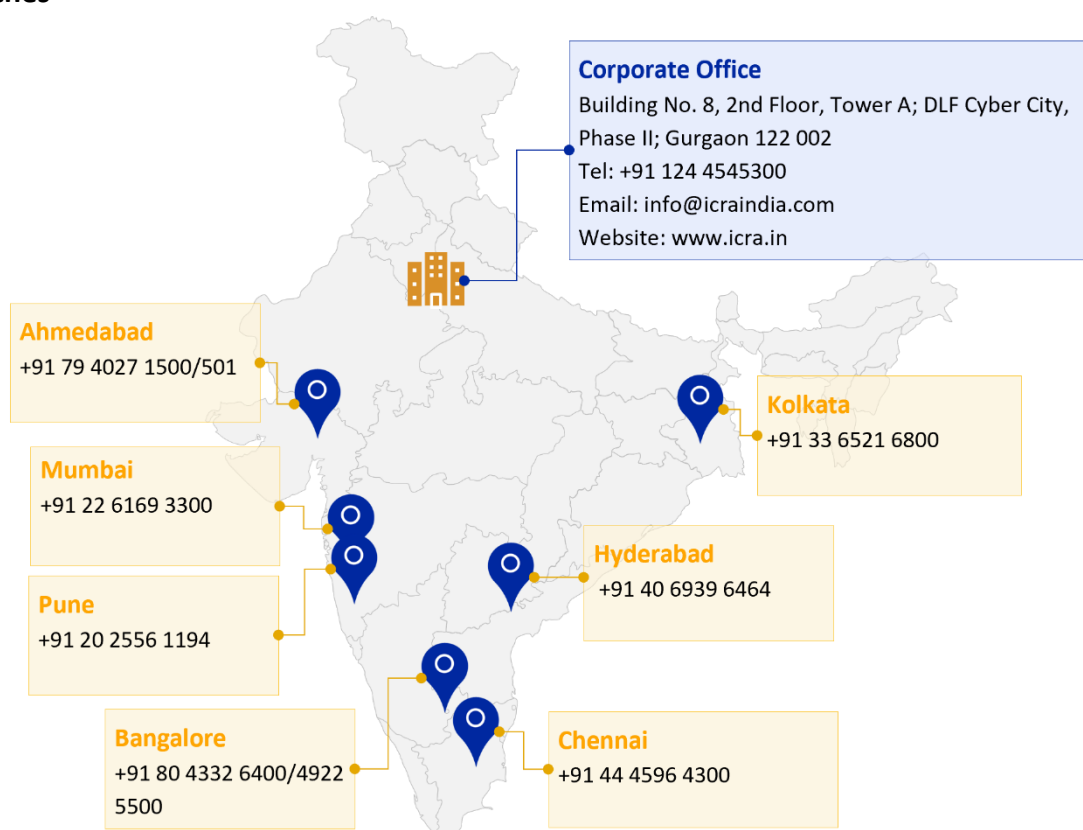
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