



INFOMERICS VALUATION AND RATING PVT. LTD.
Integrated Financial Omnibus Metrics Research of International Corporate Systems

April 12, 2021

Mr. Mahendra Kumar Ostwal,
Director
Madhya Bharat Agro Products Limited,
5-O-21, Basement,
R.C. Vyas Colony
Bhilwara (Raj.) 311001.

Dear Sir,

Assignment of rating to the Bank Facilities of Madhya Bharat Agro Products Limited

Please refer to the Mandate Contract dated January 30, 2021 on the captioned subject and your mail dated April 10, 2021 respectively accepting our rating & use thereof.

Our Rating Committee has assigned the following ratings:

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Term Loan	49.97	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
2.	Long Term Fund Based Facility – Cash Credit	15.50	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
3.	Short Term Non Fund Based Facility – Pre Settlement Risk	1.50	IVR A2 (IVR Single A Two)
	Total	66.97	

1. Details of the credit facilities are attached in **Annexure I**. Our rating symbols for long-term ratings and explanatory notes thereon are attached in **Annexure II**.
2. The press release for the rating(s) will be communicated to you shortly.
3. If the proposed long term / short term facility (if any) is not availed within a period of six months / three months respectively from the date of this letter, then the rating may please be revalidated from us before availing the facility.
4. The above rating is normally valid for a period of one year from the date of our **initial communication** of rating to you (i.e. **April 12, 2021**).

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CIN : U3202DL1986PTC024575



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5. A formal surveillance/review of the rating is normally conducted within 12 months from the date of initial rating/last review of the rating. However, INFOMERICS reserves the right to undertake a surveillance/review of the rating more than once a year if in the opinion of INFOMERICS; circumstances warrant such surveillance/review.
6. Further in terms of the mandate executed with us, you have undertaken to comply with the following:-
- Inform INFOMERICS before availing any new bank facility/ies and/or of any changes in the terms, conditions and/or size of the facilities rated.
 - Furnish all material information and any other information in a timely manner as may be required by INFOMERICS, for monitoring the Rating assigned during the tenure of the bank facilities rated by INFOMERICS.
 - Co-operate with and enable INFOMERICS to arrive at and maintain a true and fair rating and in particular, provide INFOMERICS with true, adequate, accurate, fair, and timely information for the purpose.
 - Inform INFOMERICS, in writing and in a timely manner, of any other developments which may have a direct or indirect impact on the CLIENT's debt servicing capability including any proposal for re-schedulement or postponement of the repayment programs of the dues/ debts of the CLIENT with any lender (s)/ investor (s) within seven days from the date of such developments/ proposal.
7. **You shall provide us with a No Default Statement as at the last date of the month on the first date of succeeding month without fail.** The NDS shall be mailed every month to nds@Infomerics.com and to the mail id of the undersigned.
8. **You shall provide the quarterly performance results/quarterly operational data (being submitted to Banks) to us within 6 weeks from the close of each calendar quarter for our review/monitoring.**
9. You shall furnish all material information and any other information called for by INFOMERICS in a timely manner, for monitoring the rating assigned by INFOMERICS. In the event of failure on your part in furnishing such information, to carry out continuous monitoring of the rating of the bank facilities, INFOMERICS shall carry out the review/annual surveillance on the basis of best available information throughout the lifetime of such bank facilities as per the policy of INFOMERICS.

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10. INFOMERICS reserves the right to withdraw/revise/reaffirm the rating assigned on the basis of new information. INFOMERICS is also entitled to publicise/disseminate such withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.

11. Please note that INFOMERICS ratings are not recommendations to buy, sell or hold any security or to sanction, renew, disburse or recall the bank facilities. INFOMERICS do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

12. In case you require any clarification, you are welcome to communicate with us in this regard.

Thanking you,

With Regards,

for CKB Bgri
Jayshree Purohit
Rating Analyst

Email: jpurohit@infomerics.com

for Harshita Bidwania
Amit Bhuwania

Asst. Vice President

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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.

ANNEXURE I

1. Long Term Fund Based Bank Facility – Term Loan

SI. No	Name of the bank	Remarks	(INR. Crore)	Maturity
1.	HDFC Bank	Existing	49.97	March, 2025
	Total		49.97	

2. Long Term Fund Based Bank Facility – Cash Credit

SI. No	Name of the bank	Remarks	(INR. Crore)	Maturity
1.	HDFC Bank	Existing	15.50	Revolving
	Total		15.50	

3. Short Term Non-Fund Based Bank Facility – Pre Settlement Risk (PSR)

SI. No	Name of the bank	Remarks	(INR. Crore)	Maturity
1.	HDFC Bank	Existing	1.50	--
	Total		1.50	

for cash

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ANNEXURE II

INFOMERICS Rating Scale for Long Term Instruments & Borrowing Programmes

Rating Scale	Definition
IVR AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk
IVR AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk
IVR A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk
IVR BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk
IVR BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations
IVR B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations
IVR C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations
IVR D	Instruments with this rating are in default or are expected to be in default soon

INFOMERICS may apply '+' (plus) or '-' (minus) signs for ratings assigned 'IVR AA' to 'IVR C' to indicate their relative standing within the category.

INFOMERICS may assign rating outlooks for ratings from IVR 'AAA' to IVR 'B'.

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INFOMERICS Rating Scale for Short Term Instruments & Borrowing Programmes

Rating Scale	Definition
IVR A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
IVR A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.
IVR A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
IVR A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.
IVR D	Instruments with this rating are in default or expected to be in default on maturity in servicing of debt obligations.

INFOMERICS may apply '+' (plus) signs for ratings assigned from 'IVR A1' to 'IVR A4' to indicate their relative standing within the category

for CBS

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Press Release

Madhya Bharat Agro Products Ltd (MBAPL)

April xx, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Term Loan	49.97	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Bank Facility – Cash Credit	15.50	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
3.	Short Term Non -Fund Based Bank Facility – Pre Settlement Risk (PSR)	1.50	IVR A2 (IVR Single A Two)	Assigned
	Total	66.97		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Madhya Bharat Agro Products Limited derives comfort from its experienced management & strong group, comfortable financial risk profile, growing revenue base with healthy profitability margin, incremental benefit from ongoing capex, strong brand presence & marketing network, diversified product portfolio and strategic location of the plant. However, the rating strengths are partially offset by highly regulated fertilizer & chemical industry, fluctuation in prices of raw materials and climatic challenges

Key Rating Sensitivities

Upward Factors

- Substantial and sustained improvement in revenue while maintaining the profitability and debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability impacting the debt protection metrics or liquidity.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Management with strong group support:

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 group concern includes Ostwal Phoschem (India) Limited (IVR BBB+/Stable/IVR A2) Krishana Phoschem Limited (KPL), Madhya Bharat Agro Products Limited (MBAPL) and Season International Private Limited (SIPL).. 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 and stable financial risk profile:

MBAPL 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 and other debt coverage indicators of the company are comfortable and have remained stable. The overall gearing ratio of the Company is at 0.31x as on March 31, 2020 (FY19: 0.23x, FY18: 0.34x) and the long-term debt to equity stood at 0.25x as on March 31, 2020 (0.17x, 0.21x). The TOL to TNW stood at 0.45x as on March 31, 2020 (0.37x, 0.45x). The Interest coverage ratio stood at 11.33x as on March 31, 2020 (8.14x, 3.94x).

Increasing revenue profile along with healthy EBITDA margin:

The company's operating revenue showed steady increase with a CAGR of ~ 17% in the last three years ended FY2020, total operating income in FY20 increased to INR130.86 Crore from INR116.05 Crore in FY19 and INR89.91 Crore in FY18 on account of surge in sales price realisation with increasing capacity utilisation along with the subsidy received from the government, the company has witnessed substantial improvement in operating income by selling the product under its in house brand "ANNADATA". During 9MFY21, the proportion of chemical fertilizers in MBAPL net sales improved, on account of increasing demand in the market. The company achieved revenue of INR136.12 Crore up to December, 2020 against



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INR101.80 Crore in 9MFY20 as there was favourable demand pick up in Single super phosphate (SSP) from Q2FY21 onwards. The EBIDTA margins of the company also remained healthy & range bound within 22%-25% and increased steadily over the last three fiscals ended in FY20 on the back of stability in cost of production & overheads costs, PAT margin also increased in FY20 as compared to FY19 (FY20:11.32%, FY19:9.83% and FY18: 9.15%). The EBITDA margin for 9MFY21 stood at 25.69% as compared to 9MFY20 at 25.57%, PAT margin also stood stable at 13.04% in 9MFY21 and 13.82% in 9MFY20.

Strong brand presence & marketing network:

MBAPL derives its revenues from three main product streams (Powdered Single Super Phosphate, Granulated SSP, Beneficiated Rock Phosphate (BRP) and Sulphuric Acid) across pan India Level, however revenue majorly concentrated in states of Uttar Pradesh, Madhya Pradesh, and Chhattisgarh. 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 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. With the revised marketing arrangement, the company's overall revenue has seen improvement y-o-y basis.

Incremental benefit from on-going capex

The company has proposed to set up a manufacturing unit of Triple Super Phosphate (TSP) fertilizer with an installed capacity of 66,000 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 of INR92.14 Crore will be funded by Term Loan amounting to INR60.00 Crore and balance from internal accruals. The capex is expected to be completed by mid FY22. The ongoing capex once completed will lead to further revenue growth and economies of scale.



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Diversified Product Portfolio:

MBAPL 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:

The manufacturing units of the MBAPL are being located in such a geographical location, where the distribution of the fertilizers can be routed productively to the respective agricultural states where the fertility of the land is favourable for agricultural produce. The marketing team of MBAPL is spread across pan India level and any demand for the SSP and BRP can be completed with minimum lead time.

Key Rating Weaknesses

Government regulated fertilizer and chemical industry:

The prices for 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 company. The benefit of subsidy will get transferred to manufacturers upon authentication of purchase by farmers which will lead to greater 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.

Fluctuation in prices of raw materials:

India is considered to be one of the largest fertilizer importer in the world, with imported Urea and DAP fertilizers playing a major part in meeting the domestic demand. Rock Phosphate is one of the important raw material for manufacturing of phosphate fertilizers including SSP. This rock is available, subject to certain restrictions on its purchase in large quantities in India. India meets almost 85% of its rock phosphate requirement through imports. While according to a geological survey of India, India has an estimated 250 Million Tonnes (MT) reserves with



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150 MT of it is expected to be in the fertilizer grade yet the country majorly imports rock phosphates from other countries like Egypt, Jordan, Bangladesh, Morocco, US and Middle East. 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 due its high raw material inventory holding period. MBAPL have long term contract with the raw material suppliers for purchasing rock phosphate.

Climatic challenges-

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. MBAPL is not an exception, the product manufactured by the company are highly dependent on onset of monsoon & other climatic condition in the country.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Strong

The current ratio remained comfortable at 2.62x and 1.42x as on March 31, 2020. The company's working capital utilisation also remains adequate at ~52% for the 12 months ended January, 2021. 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 strong in the near to medium term. The company has cash and cash equivalent balance of INR0.95 Crore (including restricted cash of 0.77 Crore in the form of bank FD) as on March 31, 2020.

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



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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. The company has an installed capacity to manufacture 78,000 MTPA of Single Super Phosphate, 99,000 MTPA of Beneficiated Rock Phosphate and 36000 MTPA of Sulphuric Acid.

Financials: Standalone

(Rs. crore)

For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Audited)
Total Operating Income	116.05	130.86
EBITDA	29.50	34.72
PAT	11.43	14.84
Total Debt	26.47	39.98
Tangible Net-worth	115.81	130.36
Ratios		
EBITDA Margin (%)	25.42	26.53
PAT Margin (%)	9.83	11.32
Overall Gearing Ratio (x)	0.23	0.31

* 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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	49.97	IVR BBB+/Stable Outlook	--	--	--



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2.	Cash Credit	Long Term	15.50	IVR BBB+/Stable Outlook	--	--	--
3.	Pre Settlement Risk (PSR)	Short Term	1.50	IVR A2	--	--	--

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

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 long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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 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	-	-	March, 2025	49.97	IVR BBB+/Stable Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	15.50	IVR BBB+/Stable Outlook
Short Term Non-Fund Based - PSR	-	-	Upto 180 days	1.50	IVR A2

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