

**January 21, 2016**

Facility	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>10.60</b>	<b>SMERA BB/Stable (Assigned)</b>

SMERA has assigned a rating of '**SMERA BB**' (**read as SMERA double B**) to the above mentioned bank facility of Santosh Hybrid Seeds Company Private Limited (Santosh Hybrid). The outlook is '**Stable**'. The rating is supported by the company's established operational track record, experienced management, comfortable financial risk profile and working capital cycle. However, the rating is constrained by the modest scale of operations and low profitability. The rating is also constrained by the susceptibility of profit margins to volatility in commodity prices and the company's presence in a highly fragmented and seasonal seed industry.

## Rating Sensitivity Factors

- Improvement in profitability and capital structure
- Efficient working capital management

## Outlook: Stable

SMERA believes Santosh Hybrid will maintain a stable business risk profile over the medium term owing to its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of higher working capital requirements increasing pressure on margins and capital structure.

## About the Company

Santosh Hybrid, a Maharashtra-based company incorporated in 1995 by Mr. Gopal Motilal Mandhani and Mr. Vijaykumar Kasat is engaged in the processing of oil seeds (soya and sunflower). The company sells its products under the 'Dhanalakshmi' brand to farmers and also trades in fertilisers. Additionally, the company also runs a warehousing and logistics business.

For FY2014-15, Santosh Hybrid reported profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.63.31 crore as against PAT of Rs.0.34 crore on operating income of Rs.84.41 crore.

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