



Press Release

Keshav Khanak Seeds Private Limited

06 March, 2018

Rating Downgraded

Total Bank Facilities Rated*	Rs.10.50 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating to '**SMERA D**' (**read as SMERA D**) on the Rs. 10.50 crore bank facilities of Keshav Khanak Seeds Private Limited (KKSPL).

Incorporated in 2011, KKSPL, a Nagpur-based company was promoted by Mr. Satpal Keshavdas Hassani and Mrs. Kesar Satpal Hassani. The company is engaged in the processing and trading of paddy seeds and has an installed capacity of 48 metric tons per day. The company sells its products under the brand name of 'Keshav Khanak' in Chhattisgarh, Madhya Pradesh, Maharashtra, Uttar Pradesh and Bihar.

Key Rating Drivers

Strengths

Experienced management

The promoters, Mr. Satpal Keshavdas Hassani and Mrs. Kesar Satpal Hassani have more than two decades of experience in the business of fertilisers and processing of seeds. SMERA believes that KKSPL will benefit from its experienced management.

Growth in revenues

KKSPL has registered revenue of Rs.24.34 crore in FY2017 compared to Rs. 15.33 crore in FY2016 owing to increase in clients from newer geographies. The operating (EBITDA) margin of the company stood at 12.58 per cent in FY2017, a marginal decline from 13.13 percent in FY2016.

Weaknesses

Delays in payment of interest

The rating reflects on-going irregularities in the repayment of principal and interest on the term loan on account of stretched liquidity.

Average financial risk profile

The networth of KKSPL stood at Rs. 3.20 crore as on 31 March, 2017 as against Rs. 1.97 crore as on 31 March, 2016. The gearing stood at 5.00 times as on 31 March, 2017 as compared to 6.04 times as on 31 March, 2016 due to increase in total debt to Rs.15.99 crore as on 31 March, 2017 from Rs. 11.90 crore as on 31 March, 2016. The Interest Coverage ratio deteriorated to 1.74 times in FY2017

from 1.85 times in FY2016.

Working capital intensive operations

KKSPPL's operations are working capital intensive. The company registered Gross Current Asset (GCA) days of 219 in FY2017 as against 207 in FY2016 marked by inventory of 176 days in FY2017 and 177 days in FY2016. This is mainly because of the need for storage of the above owing to their seasonal nature. Further, the company had outstanding debtors of 61 days in FY2017 and 45 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.34	15.33	6.11
EBITDA	Rs. Cr.	3.06	2.01	0.38
PAT	Rs. Cr.	0.23	0.14	0.09
EBITDA Margin	(%)	12.58	13.13	6.17
PAT Margin	(%)	0.93	0.90	1.51
ROCE	(%)	11.99	11.03	7.95
Total Debt/Tangible Net Worth	Times	5.00	6.04	0.93
PBDIT/Interest	Times	1.74	1.85	1.57
Total Debt/PBDIT	Times	5.22	5.91	11.00
Gross Current Assets (Days)	Days	219	207	280

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26 May, 2016	Term Loan	Long Term	1.90	SMERA B/Stable (Assigned)
	Cash Credit	Long Term	4.00	SMERA B/Stable (Assigned)

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.90	SMERA D
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA D
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA D

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