

Kirtiman Agrogenetics Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of Kirtiman Agrogenetics Limited (KAL). The outlook is '**Stable**'. The rating derives strength from the experienced management and comfortable financial risk profile. The rating also draws comfort from the in-house research and development facilities and well established network of distributors. However, the rating is constrained by the working capital intensive operations in an intensely competitive segment of the agricultural seeds industry.

KAL, incorporated in 2008 is headed by Mr. Omprakash Gilda, Mr. Narayanlal Kalantri, Mr. Girdharbhai Patel and Mr. Madhukar Mamde, Directors with more than two decades of experience in the industry. The company has a robust distribution network of ~300 dealers spread across Telangana, Bihar, Chhattisgarh among others ensuring a diversified customer base. KAL has a moderate financial risk profile marked by negligible long term debt. The interest coverage ratio (ICR) stood at 1.49 times while the debt service coverage ratio (DSCR) was at 1.26 times in FY2015.

However, the company's operations are capital intensive reflected in the gross current assets (GCA) of 230 days in FY2014-15. The moderate GCA emanates from the high inventory holding days due to the seasonal nature of business. The rating is also constrained by the modest scale of operations with uneven revenues due to cyclical nature of the industry and crop switching by farmers. In FY2015, the company registered revenues of Rs.32.61 crore as against Rs.23.63 crore in FY2014, and Rs.27.69 crore in FY2013.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Deterioration in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that KAL will continue to benefit over the medium term from its promoters' extensive experience in seed processing. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the rating:

- Parent Notch up

About the Company

KAL, incorporated in 2008, is engaged in the research, production and marketing of hybrid seeds of various crops and vegetables. The company is a subsidiary of Shiva Global Agro Industries Limited, engaged in the manufacture of fertilisers, seeds and extraction of soybean oil.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.32.61 crore, as compared with net profit of Rs.0.19 crore on operating income of Rs.23.63 crore in FY2013–14. The company's net worth stood at Rs.14.02 crore as on March 31, 2015 as compared with Rs.15.98 crore, a year earlier.

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ABOUT SMERA

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