



Press Release

Kirtiman Agro Genetics Limited

October 12, 2018

Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 7.00 crore bank facilities of Kirtiman Agro Genetics Limited (KAL).

Further, Acuite has assigned long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 2.00 crore proposed bank facilities of Kirtiman Agro Genetics Limited (KAL). The outlook is '**Stable**'.

The Maharashtra based, KAL was incorporated in 2008 as a part of Shiva Group. It 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 (SGAIL), which is engaged in the manufacture of fertilizers, seeds and extraction of soybean oil. KAL has its own Research and Development facilities at Aurangabad and sells the product under the brand name of 'Kirtiman'.

Analytical Approach

Acuite has considered standalone business and financial risk profile along with ongoing support from parent company to arrive at the rating of KAL.

Key Rating Drivers

Strengths

- **Experienced management along with long track record of operations:**

The Promoters, Mr. Divakar Shetty and Mr. Omprakash Gilda have experience of more than 25 years in agro industry. The company's long standing presence helps in developing healthy relationship with the customers and suppliers.

- **Diversified product portfolio and wide dealership network:**

The company has a diversified product portfolio with over 30 commercial seeds of crops and more than 75 varieties sold in the market. KAL has over 300 dealers in Telangana, Bihar, Chhattisgarh, Rajasthan among other states. Moreover, the company also leverages on the wide distribution network of its group companies (Shiva Group) spread across Maharashtra, Karnataka and other parts of India. Thus, it has been able to forge long lasting relationships with its customers.

- **Average financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.15.93 crore as on March 31, 2018. The gearing stood comfortable at 0.27 times for FY18 as compared to 0.32 times for FY17. The interest coverage ratio has declined to 1.15 times in FY18 as compared to 2.08 times in FY17 due to decline in EBITDA margin from 4.48 percent in FY17 to 1.80 percent in FY18. Further, the company reported net loss of (0.64) percent for FY18 as compared to PAT of 0.52 percent for FY 17.

Weaknesses

• Modest scale of operation

The company has modest scale of operation reflected in revenue of Rs.46.73 crore for FY2017-18. The turnover booked till September 2018 is ~Rs.16.00 crore. The revenue in this industry is uneven due to cyclical nature of industry and crop switching by the farmers.

• Susceptibility of margins to volatile seed prices due to MSP policy by government:

The company produces the primary seeds and the multiplication is done by the farmers on their land bank. The purchases from farmers are covered by the Minimum support price policy of the government. Further, these prices are linked to global and domestic production and demand supply situation. Thus, the profitability of KAL is vulnerable to fluctuation in raw material prices as it has higher inventory holding period based on seasonality.

Outlook: Stable

Acuite believes that KAL will maintain 'Stable' outlook over the medium term from its promoters' extensive experience in seed processing business. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile or financial risk profile due to lower than expected profitability margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	46.73	36.42	29.29
EBITDA	Rs. Cr.	0.84	1.63	1.64
PAT	Rs. Cr.	-0.30	0.19	0.13
EBITDA Margin	(%)	1.80	4.48	5.60
PAT Margin	(%)	-0.64	0.52	0.45
ROCE	(%)	1.20	5.05	11.29
Total Debt/Tangible Net Worth	Times	0.27	0.32	0.54
PBDIT/Interest	Times	1.15	2.08	1.77
Total Debt/PBDIT	Times	4.69	2.87	4.19
Gross Current Assets (Days)	Days	153	219	278

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jul-2017	Cash Credit	Long Term	9.00	ACUITE BB / Stable (Reaffirmed)
02-Jun-2016	Cash Credit	Long Term	9.00	ACUITE BB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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