

Santosh Beej Bhandar: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	14.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.50	SMERA A4+

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned bank facilities of Santosh Beej Bhandar (SBB). The outlook is '**Stable**'. The ratings derive strength from the experienced management and long track record of operations. The ratings also draw support from the established marketing channels, efficient working capital cycle and diversified customer base. However, the ratings are constrained by the moderate financial risk profile, thin profitability margins and intense competition in the agricultural seeds industry.

SBB, established in 1962 is headed by Mr. Ramnivas Mandhani, Mr. Vijay Kasat, Mr. Sanjay Sarda and Mr. Gopal Mandhani, Partners with over three decades of experience in the fertilisers and seed industry. The firm has moderate financial risk profile marked by interest coverage ratio (ICR) of 1.42 times in FY2015. The debt service coverage ratio (DSCR) stood at 1.42 times in FY2015.

The firm has comfortable liquidity position marked by moderate net cash accruals as on March 31, 2015. The average utilisation of the working capital limit is ~69 per cent for cash credit (for six months ended March, 2016). SBB's operations are efficient reflected in the gross current assets (GCA) of 97 days in FY2014-15.

However, the operating income has declined to Rs.130.98 crore in FY2015 from Rs.157.41 crore in FY2014. The ratings are constrained by the thin profitability margins as reflected in the PAT margins (0.58 per cent for FY2014-2015, 0.55 per cent for FY2013-14 and 0.62 per cent for FY2012-13), vulnerability of the firm to regulatory changes and agro climatic risks associated with the agricultural seeds industry.

Rating Sensitivity Factors

- Growth in operations while improving operating margins
- Deterioration in working capital management
- Improvement in coverage indicators

Outlook-Stable

SMERA believes that SBB's outlook will remain stable owing to the promoters experience in the fertiliser and seeds industry. The outlook may be revised to 'Positive' if the scale of operations of the firm increases substantially while improving operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins 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:

- Trading Entities

About the Firm

SBB, established in 1962, is engaged in the trading of fertilisers, seeds and other agricultural inputs at its unit at Aurangabad (Maharashtra).

For FY2014–15, the firm reported profit after tax (PAT) of Rs.0.76 crore on operating income of Rs.130.98 crore, as compared with net profit of Rs.0.87 crore on operating income of Rs.157.41 crore in FY2013–14. The net worth stood at Rs.12.11 crore as on 31 March, 2015 as compared with Rs.12.54 crore, a year earlier.

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ABOUT SMERA

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