

## Press Release

### Subhani Seeds (SS)

May 23, 2017

#### Rating Assigned

<b>Total Bank Facility Rated *</b>	Rs.5.00 Crore
<b>Long Term Rating</b>	SMERA B/Stable (Assigned)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.5.00 crore bank facilities of Subhani Seeds (SS). The outlook is '**Stable**'.

Established in 2005 by Mr. Molla Mehaboba Shaheb - Subhani Seeds is a proprietary firm engaged in distribution and trading of breeder seeds. Currently the business is headed by his son Mr. Mohamooda Bee. The firm mainly caters to different central and state government corporations by undertaking tender based contract.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced management and long track record of operations-** Proprietor Mr. Mohamooda Bee has nearly a decade of experience in the same line of business.

**Healthy growth in revenue-** The total operating income of the firm has registered a compounded annual growth rate (CAGR) of 329.29 per cent during the period FY2014-FY2016 (from Rs.2.52 crore in FY14 to Rs.46.44 crore in FY16), backed by increase in customer base. The firm was primarily catering to Andhra Pradesh State Seeds Development Corporation Limited, however from FY 2015, the firm started supplying to Telangana State Seeds Development Corporation Limited, AP Oil Limited and National Seed Corporation together constituting ~ 53 per cent of total revenue. Furthermore, the firm has achieved a total operating income of ~ Rs.79.50 crore during 9 month ended FY17 (provisional).

##### Weaknesses:

**Low profit margins** - The firm operates with low EBITDA margins of 0.50 per cent in FY 2016 as against (0.17) per cent in FY 2015. The low profit margins are primarily due to trading nature of operations.

**Moderate financial risk profile-** The moderate financial risk profile is marked by low net worth base of Rs 0.67 crs, moderate debt-equity of 1.31 times and comfortable interest coverage ratio of 3.36 times in FY 2016. However, SMERA expects the financial risk profile of the firm to deteriorate marginally over the medium term due to its exposure to overdraft facility of Rs 5 crore from August'2016 to fund its working capital requirements. With the increase in debt, the gearing and coverage indicators are likely to deteriorate in the medium term.

**Agro climatic risk** - The firm is exposed to climatic variations risk as these are agricultural products which are dependent on weather and climatic changes.

**Analytical approach**- For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of SS.

### Applicable Criteria

- Trading Sector - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

### Outlook - Stable

SMERA believes that the firm will continue to benefit over the medium term from its proprietor's extensive experience in the trading and distribution of seeds. The outlook may be revised to 'Positive' if the firm maintains its sustained growth in the operating income while showing a significant improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues or profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its working capital cycle or large debt-funded capital expenditure.

### About the Rated Entity

Established in 2005 by Mr. Molla Mehaboba Shaheb - Subhani Seeds is a proprietary firm engaged in distribution and trading of seeds. Currently the business is headed by his son Mr. Mohamooda Bee. The firm mainly caters to different central and state government corporations by undertaking tender based contract.

For FY2016, the firm reported Profit after Tax (PAT) of Rs.0.16 crore on total operating income of Rs.46.44 crore as compared with PAT of Rs.0.03 crore on total operating income of Rs.8.07 crore in FY2015.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

### Rating History for the last three years:

Name of Facilities	2017				2016		2015		2014	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	23 May2017	5.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00	SMERA B/Stable (Assigned)

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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## ABOUT SMERA

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