

Press Release

Sethi Agritech Private Limited

July 29, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.00 crore bank facilities of Sethi Agritech Private Limited. The outlook is '**Stable**'.

Sethi Agritech Private Limited (SAPL), a Madhya Pradesh-based company, incorporated in 2009, was promoted by Ms. Asha Sethi and Mr. Kamlesh Kumar Sethi. The company is engaged in the processing and marketing of seeds (wheat, soya bean and vegetables) and has installed capacity of 200 tonnes a day.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Ms. Asha Sethi and Mr. Kamlesh Kumar Sethi have over a decade of experience in the agro sector.

Weaknesses

- **Small scale of operations coupled with declining profitability**

The scale of operations is small with operating income of Rs.13.78 crore for FY2017 (Provisional) as against Rs.10.68 crore for FY2016. The growth in revenue has been on account of addition of new products. SAPL's operating margins declined to 2.97 per cent in FY2017 (Provisional) from 6.09 per cent in FY2016 and 10.66 per cent in FY2015 on account of increase in input cost.

- **Average financial risk profile**

SAPL has average financial risk profile marked by low net worth of Rs. 2.76 crore in FY2017 (Provisional) as against Rs. 2.52 crore in FY2016. Further, the gearing (debt to equity ratio) stood at 2.07 times as on 31 March, 2017 (Provisional) as against 0.87 times as on 31st March, 2016. The Interest coverage ratio stood at 3.93 times for FY2017(Provisional) compared to 2.01 times in FY2016.

- **Working capital intensive operations**

SAPL's operations are working capital intensive marked by high gross current assets (GCA) of 189 days in FY2017 (Provisional) as against 136 days in FY2016. The high GCA days emanate from the high inventory holding of 96 days and debtors of 68 days for FY2017 (Provisional) as against inventory of 107 days and debtors of 29 days for FY2016. The average bank limit utilisation has been ~90 per cent in the last three months ended June 2017.

Analytical Approach

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

Outlook: Stable

SMERA believes that SAPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company is able to increase revenue, profitability and working capital cycle while sustaining financial risk profile. Conversely, the outlook may be revised to 'Negative' if SAPL registers significant decline in revenue or margins or elongation in working capital cycle. Any deterioration in the financial risk profile or liquidity position may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, SAPL reported Profit after Tax (PAT) of Rs. 0.12 crore on total operating income of Rs. 10.68 crore compared with PAT of Rs 0.14 crore on total operating income of Rs. 6.54 crore in FY2014-15. The tangible net worth stood at Rs. 2.52 crore as on March 31, 2016 as against Rs. 2.37 crore in the previous year. Further, the company reported Profit after Tax (PAT) of Rs. 0.14 crore on total operating income of Rs. 13.78 crore in FY2017 (Provisional).

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)

Not Applicable

*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	6.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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ABOUT SMERA

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