



Press Release

Daftari Agro Private Limited

July 31, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.71 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 13.71 crore bank facilities of Daftari Agro Private Limited. The outlook is '**Stable**'.

Daftari Agro Private Limited (DAPL) was incorporated in 1994. The company is engaged in the cultivation, breeding, processing, grading and preservation of certified seeds (oil seeds, soya bean, pulses, paddy etc) which are sold under the, 'Daftari' brand name across the country. The Daftari family has been in the business since 1976.

Key Rating Drivers

Strengths

- **Experienced management**

DAPL was incorporated in 1994. The company was promoted by Mr. Ravindra Daftari, Mr. Jainendra Daftari and Mr. Shailendra Daftari. The promoters possess extensive experience in the industry and have been able to build long term relations with customers.

- **Well-established marketing channel**

DAPL sells seeds in 12 states through 225 distributors across India. The company is also into research to develop new varieties of seeds.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 13.54 crore as on 31 March, 2017 (Provisional) compared to Rs.10.67 crore as on 31 March, 2016. The net worth consists of quasi equity of Rs. 7.00 crore as on 31 March, 2017 (Provisional) compared to Rs. 6.19 crore as on 31 March, 2016. The gearing stood at 1.01 times as on 31 March, 2017 (Provisional) as against 1.05 as on 31 March, 2016. The interest coverage ratio (ICR) stood at 2.53 times in FY2017 (Provisional) and 1.62 times in FY2016. The Debt Service Coverage (DSCR) stood at 1.76 times in FY2017 (Provisional) and 1.28 times in FY2016. SMERA expects that the gearing will improve marginally in the medium term on payment of term loans and absence of debt funded capex plan.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA of 134 days in FY2017 (Provisional) compared to 226 days in FY2016. The GCA days are dominated by high inventory of 109 days

in FY2017 (Provisional) and 199 days in FY2016. The inventory mainly consists of seeds. SMERA expects the working capital cycle to follow a similar trend in the future and will depend mainly upon the monsoon season.

• **Fragmented and competitive nature of industry**

DAPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

• **Agro climatic risks**

The company is exposed to agro climatic risks that may affect margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that DAPL will maintain a stable outlook owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the improvement in its capital structure is significantly better than expected while maintaining a steady revenue growth and margin improvement. Conversely, the outlook may be revised to 'Negative' in case DAPL registers significant decline in revenues and profitability, or larger than expected debt to fund its working capital requirements, leading to further deterioration in its financial risk profile.

About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 1.16 crore on net sales of Rs. 110.16 crore in FY2017 (Provisional) as against PAT of Rs. 0.49 crore on net sales of Rs. 64.70 crore in FY2016. The net worth stands at Rs. 13.54 crore as on 31 March 2017 (Prov.) compared to Rs. 10.67 crore as on 31 March 2016.

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

Not applicable

Any other information

Not available

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	7.50	SMERA BB / Stable
Warehouse Receipt	Not	Not	Not	5.00	SMERA BB / Stable

Financing	Applicable	Applicable	Applicable		
Term loans	Not Applicable	Not Applicable	Not Applicable	1.21	SMERA BB / Stable

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ABOUT SMERA

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