


Press Release
Hindustan Seeds

October 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.21 Cr.
Long Term Rating	SMERA B / Outlook: Stable

** Refer Annexure for details*
Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.21 crore bank facilities of Hindustan Seeds. The outlook is '**Stable**'.

Hindustan Seeds (HS) is an Andhra Pradesh-based partnership firm engaged in the processing and marketing of around 12 types of paddy seeds at Warangal.

Key Rating Drivers
Strengths
• Established track record of operations and experienced management

The firm was established in 1999 by Mr. P Thirupathi Rao and Ms. P Rajini Rao who possess more than two decades of experience in the seed processing business. This has helped build healthy relations with suppliers and enabled the firm get repeat orders.

• Proximity to raw material

Located at Warangal, the firm has easy proximity to raw material considering that the state is one of the top producers of paddy.

Weaknesses
• Vulnerability of margins to fluctuations in the prices of agricultural commodities

HS has low profitability marked by operating margin of 2.78 percent and (PAT) profit after tax of 0.11 percent for FY2017 (Provisional) against operating margin of 2.63 percent and PAT margin of 0.07 percent for FY2016. However, the profitability is susceptible to volatility in raw material prices, changes in government regulations and agro climatic conditions.

• Below average financial riskprofile

HS has networth of Rs.1.11 crore as on 31 March, 2017 (Provisional) against 1.06 crore as on 31 March, 2016. The gearing (debt-to-equity) stood high at 5.07 times as on 31 March, 2017 (Provisional) against 4.52 times as on 31 March, 2016. The total debt of Rs.5.63 crore mainly comprises working capital limit of Rs.5.15 crore and interest free unsecured loan raised through promoters of Rs.0.50 crore as on 31 March, 2017. The Interest coverage ratio (ICR) stood at 1.06 times for FY2017 (Provisional) against 1.05 times for FY2016.

• Working capital intensive operations

HS has gross current asset (GCA) days of 149 for FY2017 (Provisional) against 143 days for FY2016. This is mainly on account of inventory days of 143 for FY2017 (Provisional) against 138 days for FY2016. The inventory days will remain high due to seasonality and long drawn process of seed processing which takes around eight months. Further, utilisation of working capital limits stood at 100.00 percent for the last six months ended August 2017.

- **Intense competition**

The firm is exposed to intense competition in the industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that HS will maintain a stable outlook in the medium term on the back of the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the firm registers more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the firm reported net profit of Rs.0.02 crore on operating income of Rs.18.23 crore, compared with net profit of Rs.0.01 crore on operating income of Rs.15.39 crore in FY2015-16. The net worth stood at Rs.1.11 crore as on 31 March, 2017 as against Rs.1.06 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	5.21	SMERA B / Stable

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ABOUT SMERA

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