

Press Release

SRT AGRO SCIENCE PRIVATE LIMITED

MARCH 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 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. 9.00 crore bank facilities of SRT AGRO SCIENCE PRIVATE LIMITED. The outlook is '**Stable**'.

The company was established in year 2007 as a closely held company by Mr. Shirish Taunk and Mr. Rajesh Taunk. The company is engaged in manufacturing of bio pesticides and bio fertilizers and started commercial operations in 2010.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

SRT Agro Science Private Limited was incorporated in the year 2007 by Mr. Shirish Taunk and Mr. Rajesh Kumar Taunk. The directors of the company are having more than two decades of experience in the same line of business. Further, Mr. Rajesh Kumar Taunk is a member of the zonal level agricultural advisory committee of State Bank of India. The long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers.

- **Diversified product portfolio and geographical advantage**

SRTASPL manufactures wide range of pesticides, fungicides, and plant growth stimulators. Further, SRTASPL has a wide network of dealers and distributors of more than 100 in states like Chattisgarh, Maharashtra, Madhya Pradesh to name a few.

Weaknesses

- **Modest scale of operations**

The company has reported operating income of Rs.17.49 crore for FY 2017 as compared to Rs. 17.07 crore in the previous year. The company has reported revenues of around Rs. 15.00 crore (provisional) from April 2017 till January 2018.

- **Average Financial Riskprofile**

The company has moderate financial risk profile marked by low networth, moderate gearing and comfortable debt protection metrics. The networth stood at Rs.6.97 crore as on 31st March 2017 as against Rs.6.88 crore in the previous year. The gearing (debt to equity ratio) stood at 1.25 times as on March 31, 2016 compared to 0.81 times in the previous year. The total debt of Rs.8.74 crore consists of long term debt of Rs.0.09 crore, unsecured loans from promoters of Rs.6.00 crore and short term borrowings of Rs.2.06 crore. The total outside liabilities to tangible net worth (TOL to TVW) stood high at 1.75 times as on March 31, 2017 as against 1.16 times as on March 31, 2016. The interest coverage ratio (ICR) stood at 2.16 times in FY2017 compared to 2.15 times in the previous year. The debt service coverage ratio stood low at 1.00 times in FY2017 as against 1.17 times in FY2016.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive in nature which is marked by gross current assets (GCA) of 170 days for FY2017 as against 159 days during FY2016. The high GCA days is on account of stretched inventory of 55 days for FY 2017 and debtor days of 83 for FY 2017.

• Agro climatic conditions

The demand for the agrochemical such as pesticides, herbicides etc is highly dependent on the monsoon. Hence any shortfall in rainfall can adversely impact the demand for agro chemicals.

Analytical Approach

SMERA has considered standalone financials of the company.

Outlook: Stable

SMERA believes SRTASPL will maintain stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.49	17.07	13.39
EBITDA	Rs. Cr.	1.40	1.41	1.69
PAT	Rs. Cr.	0.09	0.20	0.14
EBITDA Margin	(%)	8.02	8.28	12.64
PAT Margin	(%)	0.49	1.19	1.01
ROCE	(%)	6.37	7.76	21.55
Total Debt/Tangible Net Worth	Times	1.25	0.81	1.78
PBDIT/Interest	Times	2.16	2.15	2.18
Total Debt/PBDIT	Times	6.22	3.92	3.20
Gross Current Assets (Days)	Days	171	159	169

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.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	9.00	SMERA BB/ Stable

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