

## Press Release

### Markiv Seeds Private Limited

January 22, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 10.00 crore bank facilities of Markiv Seeds Private Limited (MSPL). The outlook is '**Stable**'.

MSPL, incorporated in 2013, is promoted by Mr. Babubhai S. Patel and managed by Mr. Naresh Patel. The company is based at Ahmedabad and has manufacturing facilities located at Gandhinagar District in Gujarat. The company is engaged in processing and marketing hybrid & improved variety seeds of Soybean, wheat, Groundnut, Green gram, Black gram, Corn, Castor, Pearl Millet, Cumin, Cluster bean, Sesame, Coriander and vegetable crops. The manufacturing facilities have installed Processing plant capacity of 250 MT per day and packing division has 7000 MTPA storage capacity. The company caters in Maharashtra, Gujarat, Punjab and Rajasthan.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of MSPL for arriving at the rating.

## Key Rating Drivers

### Strengths

#### • Experience management

The key promoters possess more than 40 years of experience in seed business through their association with other companies in the industry. Their extensive experience in the seed industry has helped the company in establishing the market for their products and maintains longstanding relationship with its customers and suppliers.

#### • Improving margins

The operating margins of the company have improved to 5.74 percent in FY2018 as compared to 4.91 percent in FY2017; despite of revenue drop to Rs.23.62 crore in FY2018 as compared to Rs.30.26 crore in the previous year. However, the company has booked revenue of Rs.26.71 crore till December 2018. Further, the PAT margins have improved to 0.04 percent in FY2018 as compared to (0.32) percent in FY2017.

#### • Moderate financial risk profile

The financial risk profile of the company is marked by moderate net worth of Rs.13.61crore (including unsecured loan of Rs. 13.57 crore) as on 31 March, 2018 as compared to Rs.10.86 crore (including unsecured loan of Rs.10.83 crore) as on 31 March, 2017. The gearing (debt-equity) ratio stood comfortable at 0.68 times in FY2018 as compared to 0.63 times in FY2017. The interest coverage ratio (ICR) stood moderate at 1.34 times in FY2018 as compared to 1.16 times in FY2017. The TOL/TNW stood at 0.86 times in FY2018 and 0.79 times in FY2017. The debt service coverage ratio (DSCR) stood at 1.20 times in FY2018 and 1.09 times in FY2017.

## Weaknesses

### • Working capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by high Gross Current Assets (GCA) of 326 days in FY2018 as compared to 202 days in FY2017. The high GCA is marked by elongation of debtor period to 274 days in FY2018 as compared to 86 days in FY2017. The working capital bank utilisation limits stood at ~ 90.00 percent for last six months ending December 2018.

### • Highly fragmented, competitive and seasonal industry

MSPL operates in a highly competitive and fragmented agro commodity industry characterised by large number of unorganised players which impacts bargaining power with customers. The industry is also exposed to agro climatic risks having direct impact on the revenue of the company.

## Outlook: Stable

Acuite believes that the outlook of MSPL will remain 'Stable' owing to the promoter's extensive experience in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while achieving improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue and decline in margins or if the company registers deterioration in its financial risk profile due to higher than expected debt funded working capital requirement.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.62	30.26	23.69
EBITDA	Rs. Cr.	1.35	1.48	0.80
PAT	Rs. Cr.	0.01	-0.10	-0.01
EBITDA Margin	(%)	5.74	4.91	3.38
PAT Margin	(%)	0.04	-0.32	-0.03
ROCE	(%)	5.62	8.23	9.50
Total Debt/Tangible Net Worth	Times	0.68	0.64	0.39
PBDIT/Interest	Times	1.34	1.16	1.30
Total Debt/PBDIT	Times	6.24	4.22	4.66
Gross Current Assets (Days)	Days	326	202	237

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.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	10.00	ACUITE B+ / Stable

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