

Press Release

Markiv Seeds Private Limited

January 22, 2019



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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.13.61 crore (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

Acuité 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

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.