

Press Release

Shriram Seeds Private Limited

March 31, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.5.30 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.5.30 Cr bank facilities of Shriram Seeds Private Limited (SSPL).

The rating is being withdrawn on account of request received from the company and NOC received from the bankers and is in accordance with Acuité's policy on withdrawal of rating.

Incorporated in the year 2011, SSPL is a Sriganganagar (Rajasthan) - based company. The company is promoted by Mr. Lalit Goyal and Mr. Rajeev Anjani Goyal. The company is engaged in providing high quality seeds of different types, hybrids of Kharif and Rabi crops which are developed under affordable cost by the technical know-how staffs. The product line of the company consists of mustard seeds, wheat, barley, moong, to name a few. The company has been recognized as R&D unit by Directorate of Industrial and Scientific Research, Ministry of Science and Technology, Government of India, New Delhi.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SSPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SSPL is a Sriganganagar-Rajasthan based company incorporated in the year 2011. The company is promoted by Mr. Lalit Goyal and Mr. Rajeev Anjani Goyal. The promoters of the company have been engaged in the agro industry for around two decades through a partnership firm namely Shriram Seeds. The extensive experience of the promoters has helped the company in establishing healthy relationships with its customers and suppliers. Acuité believes that the company will benefit from its experienced management, established track of operation and healthy relationship with its reputed clientele and suppliers.

Weaknesses

- **Moderate Scale of Operation**

The company has a presence of more than three decades in the industry. Despite its presence in the industry for over three decades, the operation of the company has remained moderate marked by operating income of Rs.18.71Cr in FY2020 as against Rs.16.63Cr in FY2019. The company has generated revenue of Rs.16.17Cr (Est.) as on December 31, 2020. The company's ability to scale up the operation will remain a key monitorable.

- **Working capital operation is intensive in nature**

SSPL's working capital operation is moderately intensive in nature; however it is improving as it is reflected by its gross current asset (GCA) days of around 128 days in FY2020 as against 160 days in FY2019. The company has well managed its inventory marked by inventory holding period of 59 days as on 31 March, 2020 as against 88 days as on 31 March, 2019. The debtor collection period stood at 29 days as on March 31, 2020 as against 24 days as on March 31, 2019. On the other hand, the company's credit payment period stood at 66 days as on March 31, 2020. The average bank limit utilization stood high at around 89.41 percent for three months ended December, 2020. Acuité expects the working capital management to remain moderately intensive over the medium term on account of high creditor and debtor collection period maintained by the company.

- **Average financial risk profile**

SSPL's financial risk profile is average, marked by low net worth, high gearing and average debt protection metrics. The net worth of the company stood at around Rs.1.27Cr as on March 31, 2020 as against Rs.1.09Cr in FY2019. The company has followed an aggressive financial policy in the past, the same is reflected through its peak gearing levels and total outside liabilities to tangible net worth (TOL/TNW) levels of 6.70 and 8.41 times as on March 31, 2018. The gearing continues to remain high; however it has improved to 3.46 times as March 31, 2020 as against 5.55 times as on March 31, 2019. As on March 31, 2020 the total outside liabilities to tangible net worth (TOL/TNW) stood at 5.87 times as against 6.93 times as on March 31, 2019. The Company on the other hand generated cash accruals Rs.0.30Cr over the same period. EBITDA of the company has marginally improved to Rs.0.75Cr in FY2020 as against Rs.0.68Cr in FY2019. PAT of the company stood at Rs.0.17Cr in FY2020 as against Rs.0.08Cr in FY2019. The operating margins have marginally declined to 4.02 percent in FY2020 as against 4.11 percent in FY2019. The interest coverage ratio stood at 1.61 times in FY2020 as against 1.29 times respectively in FY2019. DSCR stood at 1.49 times in FY2020 as against 1.22 times in FY2019.

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.30Cr in FY2020, while its maturing debt obligation were nil for the same period. The company's working capital operations is intensive in nature marked by the gross current asset (GCA) days of 128 days in FY2020 as against 160 days in FY2019. The average bank limit utilization stood high at around 89.41 per cent for three months ended December, 2020. The company maintains unencumbered cash and bank balances of Rs.0.10Cr as on 31 March 2020. The current ratio of the company has improved to 1.45 times as on 31 March 2020 from 1.30 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Improvement in the scale of operation of the company while maintaining its profitability margins
- Any deterioration in the working capital cycle may impact the financial risk profile

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	18.71	16.63
PAT	Rs. Cr.	0.17	0.08
PAT Margin	(%)	0.92	0.46
Total Debt/Tangible Net Worth	Times	3.46	5.55
PBDIT/Interest	Times	1.61	1.29

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

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Jan-2020	Cash Credit	Long Term	5.30	ACUITE B+ / Stable (Assigned)

*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	5.30	ACUITE B+ (Withdrawn)

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About Acuité Ratings & Research:

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