



Press Release
RAJASTHAN STATE SEEDS CORPORATION LIMITED
February 05, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	140.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	140.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) on the Rs.140.00 crore bank facilities of Rajasthan State Seeds Corporation Limited (RSSCL). The outlook is ‘**Stable**’.

Rationale for rating

The rating derives comfort from the benefit through strong parentage and its established market position of RSSCL. The rating also factors the improvement in the company’s scale of operations, marked by an operating income of Rs.233.80 Cr. in FY2024 along with improved EBITDA and PAT margin of the company which stood at 11.53 per cent and 6.87 per cent respectively in FY2024 as against 6.78 per cent and 4.25 per cent respectively in FY2023. Additionally, the financial risk profile of the company remained strong marked by coverage indicators reflected by interest coverage ratio and debt service coverage ratio which stood at 8.54 times and 6.66 times respectively as on 31st March 2024 and liquidity position of the company is adequate marked by net cash accruals against nil debt obligations. However, the rating remains constrained by intensive working capital operations of the company along with agro-climatic risks.

About the Company

Rajasthan State Seeds Corporation Limited (RSSCL) was incorporated under National Seed Project in 1978. It is administered under the control of Department of Agriculture, Government of Rajasthan. The company organizes seed production programs through seed growers for more than 25 crops of cereals, oilseeds, pulses, cash crops among others and has installed 22 processing cum warehousing units across the Rajasthan state. The company undertakes processing, packaging and distribution of certified seeds in the state of Rajasthan at subsidized rates. RSSCL sells its seeds under the brand name of ‘Rajseeds’. The day-to-day operations are managed by Mrs. Nimisha Gupta. The registered office is located at Rajasthan.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone view of the business and financial risk profile of Rajasthan State Seeds Corporation Limited (RSSCL).

Key Rating Drivers

Strengths

Nodal agency to undertake operations for seeds under State Government

Rajasthan State Seeds Corporation Limited (RSSCL) was incorporated under National Seed Project in 1978. Currently, the Government of Rajasthan state and National State Seeds Corporation Ltd., New Delhi (100 percent stake of GoI) owns 98.28 percent stake in RSSCL. The representatives of the related departments from the GoR are appointed as the Directors of RSSCL's board to oversee the operations. RSSCL plays a vital role in the state of Rajasthan for executing agriculture development programmes. The State Government provides various subsidies in the form of production subsidy thereby providing seeds to farmers at subsidized rate. RSSCL also receives capital subsidies for development of warehouses and purchase of farm equipments. RSSCL has large network of about

5000 growers and 22 processing cum warehousing units across Rajasthan state. These contract farmers produce the certified seeds in their own farms besides seeds production on the company's farms. The company has its own 14 farm base of annual production and processing capacity of 11.54 lakh quintal. RSSCL also receives capital subsidy under various program for development of farms. The company has diversified seeds portfolio and produces of more than 25 crops across both karif and rabi seasons. Acuité believes that the RSSCL will continue to benefit through strong parentage, its established market position and presence for over four decades in seed processing industry.

Improvement in Business Risk Profile

RSSCL's operating income stood at Rs.233.80 Cr. in FY2024 as against Rs.232.08 Cr. in FY2023. Majority of the operating income is from sale of certified seeds followed by subsidies from the Government. The operating profit margin of the company stood at 11.53% in FY2024 as against 6.78% in FY2023. Likewise, the net profit margin of the company stood at 6.87% in FY2024 as against 4.25% in FY 2023. The company is exhibiting increase in margins on an account of lower processing charges as compared to the previous years. The company has achieved the revenue of Rs.273.98 Cr. as on 31st December, 2024. Going forward, the company is expecting to achieve better topline along with improved margins.

Strong Financial Risk Profile

The financial risk profile of the company is strong marked by healthy net worth and strong coverage indicators. The net-worth of Rs.189.79 Crore as on 31st March 2024 as against Rs.174.48 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the debt position of the company is nil as on March 31, 2024. In addition, the coverage indicators of the company are reflected by interest coverage ratio and debt service coverage ratio which stood at 8.54 times and 6.66 times respectively as on 31st March 2024. The TOL/TNW ratio of the company stood at 0.59 times as on 31st March 2024 as against 0.60 times as on 31st March 2023. Acuité expects that going forward the financial risk profile of the company will remain strong in near to medium term with no major debt funded capex plans.

Weaknesses

Moderately Intensive Working Capital operations

The working capital operations of the company is moderately intensive marked by GCA days which stood at 414 days as on 31st March 2024 as compared to 386 days as on 31st March 2023. The higher GCA days is mainly on account of incremental other current assets followed by inventory & debtors. The debtor days of the company stood at 124 days as on 31st March 2024 as against 86 days as on 31st March 2023 and the inventory holding stood at 128 days as on 31st March 2024 as against 108 days as on 31st March 2023. The company maintains seed inventory of 9 to 11 months before sowing it for germination. Further, the creditor days stood at 37 days as on 31st March 2024 as against 44 days as on 31st March 2023. In addition, the average fund based bank limit utilization of the company stood at 49.69% approximately in last eight months ended November 2024. Acuité believes that the working capital operations of the company will remain at similar levels in near to medium term.

Exposed to risk of agro-climatic conditions

RSSCL has a diversified seeds portfolio and produces over 25 crops across both Kharif and Rabi seasons. The company's business is seasonal and exposed to agro climatic risks and the production is highly dependent on rainfall and other climatic conditions required for the cultivation of various crops. Any adverse agro-climatic conditions can affect the overall demand for seeds from farmers which may result into inventory pile-up. Also, the company is exposed to uncertainty relating to production on account of agro-climatic risks, which may hamper crop output and quality. Acuité believes that company's ability to scale up its operations considering the challenging operating environment along with managing working capital cycle will remain a key rating sensitivity factor.

Rating Sensitivities

- Credit profile of Rajasthan Government along with Timely realization of subsidy received by RSSCL.
- Growth in revenue with sustainability of the profitability margins.
- Working Capital Cycle.

Liquidity Position

Adequate

The liquidity profile of the company is adequate marked by adequate net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. The company has generated net cash accruals of Rs.18.17 Cr. as on 31st March 2024 against nil debt repayment obligation over the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.25 Cr. to Rs.30 Cr. against nil debt repayment obligations over the same period. The current ratio of the company stood at 2.84 times as on 31st March 2024 as against 2.81 times as on 31st March 2023. Further, the cash and bank balance available with the company stood at

Rs.14.43 Cr. as on 31st March 2024. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	233.80	232.08
PAT	Rs. Cr.	16.07	9.86
PAT Margin	(%)	6.87	4.25
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	8.54	17.25

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

Not Applicable

Any other information

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
17 Nov 2023	Cash Credit	Long Term	140.00	ACUITE BBB+	Stable (Reaffirmed)
19 Oct 2023	Cash Credit	Long Term	140.00	ACUITE BBB+	Stable (Reaffirmed)
01 Aug 2022	Cash Credit	Long Term	140.00	ACUITE BBB+	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	140.00	Simple	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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