

Press Release

Green Gold Seeds Private Limited

October 17, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.25	ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	51.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.51.25 Cr. bank facilities of Green Gold Seeds Private Limited (GG SPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into consideration the experience of the management and established track record of operations of the company. However, these strengths are partially offset by the below average financial risk profile and working capital intensive nature of operations of the Company. Going forward, the ability of the Company to restrict further elongation of working capital cycle and improvement in scale of operations while maintaining the profitability margins would be a key rating monitorable.

About the Company

Established in 2001, Green Gold Seeds Private Limited, is an Aurangabad based Mulay Group Company. Mr. Ajeet Madhukar Mulay and Mr. Madhukar Haribhau Mulay are the directors of the company. The company is engaged in the business of production, processing and marketing of notified agricultural seeds. The company also carries out In House Research, Hybridization Activities and incidental agricultural operations. The company has set up a separate In-house Research and development division for its seed research. This inhouse R&D unit have been accorded recognition by the department of Scientific and Industrial Research, Government of India.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of GG SPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced management

GG SPL is based out of Maharashtra and was incorporated in the year 2001. Over its two decades of operations the Company has expanded its business to states of Gujarat, Rajasthan, Karnataka, Telangana, West Bengal, Jharkhand, Madhya Pradesh, Uttar Pradesh, Chattisgarh, Andra Pradesh and Odisha. However, around 80 percent of the total revenue is generated from Maharashtra. The revenue of the company stood at Rs. 107.28 crore in FY2022 registering a growth of ~31 percent from the revenue of Rs.81.82 crore in FY2021 and Rs.72.10 crore in FY2020. The company has active dealer distributors of around 800 to 1000 through which it sells its products of its own brand. The Company is managed by Mr. Madhukar Haribhau Mulay and Mr. Ajeet Madhukar Mulay along with a team of experienced senior management who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters and the senior management team has helped the company to established long and healthy relationships with customers and suppliers over the years.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management.

Weaknesses

Working Capital Intensive Nature of Operations

The operations of the company are working capital intensive marked by high GCA days 432 days for FY2022 as against 332 days for FY2021 and 335 days in FY2020. The high GCA days are majorly on account of high inventory levels of 446 days for FY2022 as against 331 days for FY2021 and 297 days for FY2020. The debtor days also remained low at 10 days for FY2022 as against 12 days for FY2021 and 14 days for FY2020. The creditor days of the company stood at 104 days for FY2022 as against 76 days for FY2021 and 94 days for FY2020. The average utilization of the working capital limits remained on the lower side of ~50.59 percent in last eight months ended August' 22. As the peak season of operations of the company is during the months April to May, the inventory level as on march is high, however it reduces once the peak period is completed.

Below average financial risk profile

GG SPL has below average financial risk profile marked by tangible net worth of Rs. 7.20 crore as on 31 March 2022 as against Rs.3.14 crore as on 31 March, 2021 and Rs.2.46 crore as on 31 March, 2020. The gearing level of the company is high and stood at 4.39 times as on 31 March 2022 as against 12.40 times as on 31 March, 2021 and 15.80 times as on 31 March, 2020. The total debt outstanding of Rs.31.61 crore consists of working capital borrowings of Rs.22.49 crore, unsecured loan from promoters of Rs.0.47 crore and term loan obligations of Rs.8.65 crore as on 31 March, 2022.

The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 3.02 times for FY2022 against 1.42 times for FY2021 and 0.92 times for FY2020. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.93 times for FY2022 against 1.29 times for FY2021 and 0.72 times for FY2020. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 20.98 times for FY2022 as against 33.23 times for FY2021 and 39.71 times for FY2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times for FY2022.

Exposed to the industry risk of agro-climatic conditions

GG SPL 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. However, the risk is mitigated to some extent as the company deals with various segments of seeds such as Oilseed, Cotton, Cereals, Pulses, Vegetable, Paddy and Wheat.

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

- Elongation of working capital cycle
- Ability to improve scale of operations while maintaining its profitability margins.
- Increase in reliance on working capital borrowings

Material covenants

None

Liquidity Position Adequate

Company has adequate liquidity position marked by net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.5.50 crore in FY2022 compared against maturing debt obligations of Rs.1.51 crore over the same period. The cash accruals of the company are estimated to remain around Rs.7-8 crore during 2022-24 period while its matured debt obligations are estimated to be in the range of 2 – 3 crore during the same period. The average utilization of the working capital limits remained on the lower side of ~50.59 percent in last eight months ended August' 22. The GCA days stood at 432 days for FY022 as against 332 days for FY2021 and 335 days for FY2020. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.67 crore as on March 31, 2022 and the current ratio also stood moderate at 0.90 times as on March 31, 2022.

Outlook: Stable

Acuite believes that GGSPL will maintain a 'stable' outlook in the medium term and will continue to benefit over the medium term due to its experience management and healthy demand of its products in the market. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative', if company's generates lower-than-anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	107.28	81.82
PAT	Rs. Cr.	4.06	1.31
PAT Margin	(%)	3.78	1.60
Total Debt/Tangible Net Worth	Times	4.39	12.40
PBDIT/Interest	Times	3.02	1.42

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

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

Rating History:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.50	ACUITE B Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	13.75	ACUITE B Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.