



Press Release
Green Gold Seeds Private Limited
March 14, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.25	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	7.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	51.25	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B Plus**) on the Rs 44.25 crore bank facilities of Green Gold Seeds Private Limited (GG SPL). Further, Acuite has withdrawn its long-term rating on Rs 7.00 crore proposed bank facilities of Green Gold Seeds Private Limited without assigning any rating. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Rationale for rating Reaffirmation

The rating reaffirmation takes into account the improvement recorded in the operating revenues by ~89 percent in FY2023 against the previous year. The operating revenue stood at Rs.202.39 Cr in FY2023 against Rs.107.28 Cr in FY2022, the increase being led by higher oil seed sales. In 8MFY2024, company has recorded sales of ~ Rs.240 Cr. The rating reaffirmation also considers the long track record of the company and long-standing experience of the promoters, which is expected to help the company to augment its revenue further. The rating, however, is constrained on account of average financial risk profile, stretched working capital operations, susceptibility of profitability to volatility in raw material prices and presence in highly fragmented and competitive industry.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of GGSP to arrive at the rating

Key Rating Drivers

Strengths

Established track record of operations with experienced management

GGSP 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, Chhattisgarh, Andhra Pradesh and Odisha. However, around 80 percent of the total revenue is generated from Maharashtra. The operating revenue stood at Rs.202.39 Cr in FY2023 against Rs.107.28 Cr in FY2022. 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.

Acuite 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

Average Financial Risk Profile

GGSP has average financial risk profile marked by average net-worth, moderate debt protection metrics and high gearing levels. The net worth stood at Rs. 15.15 crore as on 31 March 2023 as against Rs.7.24 crore as on 31 March, 2022. The increase in net-worth is on account of accretion of profits to reserves and equity infusion of Rs.57 lakhs.

The gearing level of the company stood at 5.15 times as on 31 March 2023 as against 4.37 times as on 31 March, 2022. The total debt outstanding of Rs.78.01 crore consists of working capital borrowings of Rs.63.57 crore, unsecured loan from promoters of Rs.0.47 crore and term loan obligations of Rs.13.98 crore as on 31 March, 2023. The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 3.74 times for FY2023 against 3.02 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 2.10 times for FY2023 against 2.02 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company improved though stood high at 14.72 times for FY2023 as against 20.88 times for FY2022. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times for FY2023.

Working Capital Intensive Nature of Operations

The operations of the company are working capital intensive marked by high GCA days 301 days for FY2023 as against 432 days for FY2022. The high GCA days are majorly on account of high inventory holding period of 293 days for FY2023 as against 446 days for FY2022. The debtor days remained low at 11 days for FY2023 as against 10 days for FY2022. The creditor days of the company stood at 47 days for FY2023 as against 104 days for FY2022. The average utilization of the working capital limits remained on the lower side of ~39 percent for the last 11 months ending November 2023.

Exposed to the industry risk of agro-climatic conditions

GGSP 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, Cerales, Pulses, Vegetable, Paddy and Wheat.

Rating Sensitivities

- Elongation of working capital cycle
- Ability to improve scale of operations while maintaining its profitability margins.

Liquidity Position

Adequate

Company has adequate liquidity position marked by sufficient net cash accruals generation against its maturing debt repayment obligation in FY2023. The company generated cash accruals of Rs.9.09 crore in FY2023 against its maturing debt repayment obligation of Rs.2.24. The cash accruals of the company are estimated to remain around Rs.10.81-13.07 crore during 2023-25 period while its matured debt obligations are estimated to be in the range of Rs.1.06-2.49 crore during the same period. The average utilization of the working capital limits remained on the lower side of ~39 percent for the last 11 months ending November 2023. The GCA days stood at 301 days for FY2023 as against 432 days for FY2022. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.33 crore as on March 31, 2023 and the current ratio stood moderate at 0.98 times as on March 31, 2023.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	202.39	107.28
PAT	Rs. Cr.	7.30	4.06
PAT Margin	(%)	3.61	3.78
Total Debt/Tangible Net Worth	Times	5.15	4.37
PBDIT/Interest	Times	3.74	3.02

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>
- 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
12 Jan 2024	Cash Credit	Long Term	30.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Proposed Long Term Bank Facility	Long Term	7.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Term Loan	Long Term	11.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Term Loan	Long Term	3.25	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
17 Oct 2022	Cash Credit	Long Term	37.50	ACUITE B Stable (Assigned)
	Term Loan	Long Term	13.75	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE B+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	Not Applicable Withdrawn
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Aug 2028	Simple	3.25	ACUITE B+ Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	03 Nov 2027	Simple	11.00	ACUITE B+ Reaffirmed & Withdrawn

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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.

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