



**Press Release**  
**UTTAR PRADESH BEEJ VIKAS NIGAM**  
**August 31, 2023**  
**Rating Assigned**

| Product                            | Quantum (Rs. Cr) | Long Term Rating              | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings                  | 100.00           | ACUITE A-   Stable   Assigned | -                 |
| Total Outstanding Quantum (Rs. Cr) | 100.00           | -                             | -                 |

**Rating Rationale**

Acuite has assigned its long term rating of **"ACUITE A-"**(read as **ACUITE A minus**) on the bank facilities of Rs.100 Crore of Uttar Pradesh Beej Vikas Nigam (UPBVN). The outlook is **'Stable'**.

**Rationale for rating**

The rating assigned is driven by comfort from Government of Uttar Pradesh (GoUP) through more than 90% shareholding and its strategic importance to the GoUP for catering to the seed requirement of the state by supplying seeds to Agriculture department of the state. The rating also considers the support extended by the UP state through infusion of equity in the company. Further, the rating factors in the moderate revenue base of the company which stood at Rs.184.48 Crore in FY23 against Rs.183.20 Crore in FY 22 and Rs 185.02 Crore in FY21. The rating also favourably factors in the strong liquidity position of the firm with very minimal utilization in short term bank finance and unencumbered cash and bank balance of Rs 75.57 Cr in FY 23. The financial policy of the firm is conservative with nil gearing as on 31<sup>st</sup> March 2023 and strong debt protection metrics. However, these strengths are partially offset by intensive working capital management reflected by high Gross Current Asset (GCA) days of 599 days as on 31<sup>st</sup> March 2023 on account of stretched receivables and advances to suppliers.

**About the Company**

Uttar Pradesh Beej Vikas Nigam is Incorporated in 2002 and is a Govt of Uttar Pradesh owned company and located at Lucknow (Uttar Pradesh). The directors of company are Mr. Satyendra Kumar Singh, Mr. Rajeshwar Singh and Mr. Jitendra Kumar Tomar. Uttar Pradesh Beej Vikas Nigam Limited is engaged in Production of seeds, growing of crops and horticulture.

**Analytical Approach**

Acuite has taken the standalone view on the business and financial risk profile of Uttar Pradesh Beej Vikas Nigam (UPBVN).

**Key Rating Drivers**

**Strengths**

**Strategic Importance to GoUP**

The UPBVN is a 90% owned entity of GoUP and holds a strategic importance to GoUP in terms of Agriculture requirements of the state. The company is engaged in production of seeds, growing of crops and horticulture. The company caters to the seed requirements of UP

Agriculture department. The directors of the company are Mr. Satyendra Kumar Singh, Mr. Rajeshwar Singh and Mr. Jitendra Kumar Tomar who have more than two decades of

experience in agriculture industry. The company sells to dealers mostly to S & F and Agri junction. The EBITDA margins of the company is growing on y-o-y basis which stood at 6.55% in FY23 against 4.16% in FY22.

Acuité believes that the UPBVN, being a strategically important to GoUP, shall continue to benefit from Operational and management support of GoUP time to time.

### **Augmentation in business risk profile supported by stable operations**

The business risk profile of the company has witness continuous improvement over last two years on account of stabilisation in its operations. In FY23, the company achieved revenue of Rs.184.48 crore against Rs.183.20 Crore in FY 22. Company gets requirements of seeds from UP agriculture department a year earlier and accordingly the entire requirement of the year are met as the business is completely depending upon the market demand.

Furthermore, the operating margin of the company improved to 6.55% in FY23 against 4.16% in FY2022. The growth was majorly supported by consistent process optimization and reduction in operational expenses. Also, the company has also reported PAT of Rs.11.10 Crore in FY2023 against Rs.4.62 Crore in FY2022.

Acuité believes that the scale of operations of the company is likely to show improvement over the medium term.

### **Healthy Financial Risk Profile**

The Company's financial risk profile is healthy marked by a moderate Net worth, low gearing and comfortable debt protection metrics. The company's net-worth stood at Rs.52.83 Crore as on 31st March 2023 against Rs.41.73 Crore as on 31st march 2022. The increase in net worth is majorly on an account of accretion of profit to the reserves. Further, the company has not availed any term loan from the bank and utilization in short term bank finance also remains very minimal resulting in 0 times debt to equity ratio. The interest coverage ratio and debt service coverage ratio of the company stood at 7.63 times as on 31st March 2023 respectively against 2.50 times as on 31st March 2022 respectively. Also, the TOL/TNW ratio stood at 5.83 times as on 31st march 2023 against 7.49 times as on 31st March 2022.

Acuite believes that financial risk profile may continue to remain healthy with no plans of the company to avail additional debt.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The working capital operations of the company are intensive reflected through high GCA days at 599 days as on 31st march 2023 against 632 days as on 31st March 2022. The high GCA days are on an account of debtor days' which stood at 197 days as on 31st march 2023 against 203 days as on 31st March 2022. As company's working capital cycle is different from other industries as commonly known they have two seasons namely Kharif and Rabi. The percentage of collection in advance received is during season and remaining realizations are done after season with extended standard credit period resulting in higher receivable days. On the other hand, the creditor days of the company stood at 228 days as on 31st march 2023 against 225 days as on 31st March 2022.

Acuite believes that the operations of the company may continue to remain working capital intensive on an account of nature of the agriculture industry.

### **Rating Sensitivities**

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Any deterioration in working capital cycle.

### **All Covenants**

None.

### **Liquidity Position**

#### **Strong**

The liquidity profile of the company is strong. The company does have enough net cash

accruals in FY23 which stood at 11.57 Crore against no debt repayments obligation. Going forward, the company is expected to generate adequate cash accruals against no debt repayments in near future. The cash and bank balance stood at Rs.75.57 Crore as on 31<sup>st</sup> March 2023 against Rs.80.83 Crore as on 31<sup>st</sup> March 2022. The current ratio of the company stood at 1.16 times as on 31<sup>st</sup> March 2023 against 1.12 times as on 31<sup>st</sup> March 2022. The average bank limit utilization of the company stood at 20.84% in last 12 months ending March 2023.

**Outlook: Stable**

Acuité believes that UPBVN rating will maintain a 'Stable' outlook over the medium term on account of its strategic importance to GoUP. The outlook may be revised to 'Positive' if the group registers sustainable improvement in sales volumes and higher-than expected revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case UPBVN registers lower-than expected revenues and profitability or any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity

**Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 184.48         | 183.20         |
| PAT                           | Rs. Cr. | 11.10          | 4.62           |
| PAT Margin                    | (%)     | 6.01           | 2.52           |
| Total Debt/Tangible Net Worth | Times   | 0.00           | 0.00           |
| PBDIT/Interest                | Times   | 7.63           | 2.50           |

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

None

### Any other information

Not available.

### 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](http://www.acuite.in)

### Rating History :

None

## Annexure - Details of instruments rated

| Lender's Name | ISIN           | Facilities  | Date Of Issuance | Coupon Rate    | Maturity Date  | Complexity Level | Quantum (Rs. Cr.) | Rating                        |
|---------------|----------------|-------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------|
| UCO Bank      | Not Applicable | Cash Credit | Not Applicable   | Not Applicable | Not Applicable | Simple           | 100.00            | ACUITE A-   Stable   Assigned |

## Contacts

| Analytical                                                                                                                                                                                                                                                                                  | Rating Desk                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Aditya Gupta<br>Vice President-Rating Operations<br>Tel: 022-49294041<br><a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a><br><br>Depanshi .<br>Analyst-Rating Operations<br>Tel: 022-49294065<br><a href="mailto:depanshi.mittal@acuite.in">depanshi.mittal@acuite.in</a> | Varsha Bist<br>Senior Manager-Rating Operations<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |

### 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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