

January 08, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/ Negative (Rating Reaffirmed, Outlook Revised)

SMERA has reaffirmed the rating of '**SMERA B**' (**read as SMERA single B**) on the Rs.10.00 crore long-term bank facility of Mark Agri Genetics Private Limited (MAGPL). The outlook is revised from 'Stable' to '**Negative**'. The revision in outlook is in view of deterioration in the company's profit margins and coverage indicators. The rating continues to factor in risks related to the company's short track record of operations, high leverage and stretched operating cycle. The rating notes that the company's business is susceptible to intense competitive pressure and adverse changes in regulations governing the agriculture sector. The rating also notes that the company's profit margins are exposed to volatility in commodity prices. However, the rating draws comfort from the company's strong marketing network (shared with group companies) and experienced management.

### Update

For FY2013-14 (refers to financial year, April 01 to March 31), MAGPL registered net profit of Rs.0.08 crore on total income of Rs.23.93 crore, as compared with net profit of Rs.0.22 crore on total income of Rs.7.18 crore in FY2012-13. Further, the company registered revenues of Rs.26.00 crore during April 2014 to November 2014. MAGPL's operating profit margin declined from 7.04 per cent in FY2012-13 to 5.94 per cent in FY2013-14, while the company's net profit margin declined from 3.01 per cent to 0.32 per cent during the same period.

MAGPL's overall debt-equity ratio is high at 17.95 times as on March 31, 2014. The company's net worth is low at Rs.0.90 crore as on March 31, 2014. MAGPL stocks high level of inventory to meet demand in the sowing season. The company's operations are thus working capital-intensive. MAGPL's interest coverage ratio declined from 1.97 times in FY2012-13 to 1.09 times in FY2013-14.

MAGPL's business profile is susceptible to intense competitive pressure and adverse changes in regulations governing the agriculture sector. The company's profit margins are susceptible to volatility in commodity prices.

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MAGPL benefits from its experienced management. Mr. Pawankumar Bajaj and Mr. Chandra Sekhara Reddy Pisati, directors of MAGPL, have around ten years of experience in the agriculture sector.

### **Outlook: Negative**

MAGPL's rated facility has a 'Negative' outlook. The company's rating may be downgraded in case of further decline in profit margins, or in case of sustained stretch in liquidity position. The outlook may be revised to 'Stable' in case the company registers sustained improvement in profit margins and liquidity position.

### **About the company**

MAGPL, incorporated on May 30, 2011, is a Mumbai-based company promoted by Mr. Pawan Kumar Bajaj and Mr. P. Chandra Sekhara Reddy Pisati. MAGPL undertakes processing, developing and marketing of certified agricultural seeds (mainly soybean and Bt cotton). MAGPL's products are sold in packs of 30 kilograms and 25 kilograms under the brand names of 'Soya Laxmi 101' (soybean seeds) 'Adi Laxmi' (cotton seeds), 'Hari Shakti' (moong dal seeds) and 'Mark Urad' (urad dal seeds). MAGPL has a grading and processing unit in Amravati (Maharashtra), with installed capacity of 2,19,000 quintals per annum.

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