

May 07, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Term Loan	0.70	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) to the abovementioned bank facilities of Chaitanya Seeds (CS). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management and comfortable working capital cycle. However, the rating is constrained by the firm's small-scale operations, high gearing and moderate coverage indicators. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices and intense competition in the commercial seeds business. The rating notes that the firm's financial profile is susceptible to withdrawal of capital.

CS, established in 1993, is a Hyderabad-based partnership firm engaged in processing, development and marketing of certified commercial seeds. CS benefits from its experienced management. Mr. V. Rajeshwar Rao, partner of CS, has a bachelor's degree in agriculture science with around two decades of experience in the firm's line of business. CS has a comfortable working capital cycle of 75 days in FY2013-14 (refers to financial year, April 01 to March 31).

CS has small-scale operations marked by revenue of Rs.28.26 crore in FY2013-14. The firm's gearing (debt-to-capital ratio) is high at 3.40 times as on March 31, 2014. CS's moderate coverage indicators are reflected in interest coverage ratio (ICR) of 1.47 times and debt service coverage ratio (DSCR) of 1.38 times in FY2013-14. The firm's profit margins are susceptible to volatility in raw material prices. CS faces intense competition from several players in the commercial seeds business. The firm's financial profile is susceptible to withdrawal of capital by partners.

Outlook: Stable

SMERA believes CS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving sustained improvement in profitability and capital structure. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues, or in case of deterioration in the firm's financial risk profile.

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About the firm

CS, established in 2006, is a Hyderabad-based partnership firm promoted by Mr. V. Rajeshwar Rao. CS is engaged in processing, development and marketing of certified commercial seeds.

For FY2013–14, CS reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.28.76 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.17.99 crore in FY2012–13. The firm's net worth stood at Rs.2.57 crore as on March 31, 2014, as compared with Rs.2.38 crore a year earlier.

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