

### Anila Seed Processing Industries: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Secured Overdraft (Proposed)	06.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) to the above mentioned bank facility of Anila Seed Processing Industries (ASPI). The outlook is '**Stable**'. The rating is constrained by the firm's small-scale of operations, stretched working capital cycle and susceptibility of profit margins to volatility in raw material prices. However, the rating draws comfort from the experienced management.

ASPI, established in 2003, is a Hyderabad-based firm promoted by Mr. M. Vidyanath Reddy, Proprietor. The firm is engaged in the processing and packaging of agricultural seeds.

The scale of operations of the firm is modest with operating income of Rs.10.24 crore as on March 31, 2016 (Provisional) and Rs.13.93 crore as on March 31, 2015. Also, the firm earns 100 per cent of its revenue from Shakthi Seeds Private Limited (a group company).

Also, ASPI's operations are working capital intensive reflected in the gross current assets (GCA) of 295 days in FY2016 (Provisional). The high GCA emanates from the high debtor days of 173 days for FY2016 (Provisional). The rating also notes that the firm's profit margins are susceptible to raw material price volatility.

However, the rating is supported by the promoter's three decades of experience in the agricultural seeds industry.

#### Rating Sensitivity Factors

- Changes in scale of operations, profit margins
- Changes in the financial risk profile
- Efficient working capital management

#### Outlook-Stable

SMERA believes that ASPI will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenue while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or stretch in the working capital cycle.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

## About the Firm

ASPI, established in 2003, is a Hyderabad-based firm promoted by Mr. M. Vidyanath Reddy, Proprietor. The firm is engaged in the processing and packaging of agricultural seeds.

For FY2014-15, ASPI reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.13.93 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.5.19 crore in FY2013-14. ASPI reported PAT of Rs.0.13 crore on operating income of Rs.10.24 crore (Provisional) in FY2015-16.

## Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

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