

## Press Release

13 October, 2017



### Anila Seed Processing Industries (ASPI)

#### Rating Reaffirmed

<b>Total Bank Facilities Rated *</b>	Rs. 6.00 Cr
<b>Long Term Rating</b>	SMERA B/ Outlook: Stable (Reaffirmed)

# Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 6.00 crore bank facility of Anila Seed Processing Industries (ASPI). The outlook is '**Stable**'.

#### Analytical Approach

SMERA has changed the rating approach of Shakthi Seeds Private Limited and Anila Seed Processing Industries from standalone business and financial risk profile to consolidated business and financial risk profile. This is owing to the common management and healthy operational synergies between the companies.

#### Key Rating Drivers

##### Strengths

###### Experienced management

The promoter, Mr. Vidyanath Reddy possesses almost three decades of experience in seed processing and has been able to forge long term relations with customers and suppliers.

##### Weaknesses

###### Weak financial risk profile

The financial risk profile the group is weak marked by net worth of Rs.6.88 crore as on 31 March, 2017 (Provisional) compared to Rs.11.24 crore as on 31 March, 2016. The decrease in net worth is majorly on account of capital withdrawal from Anila Seed Processing Industries to the tune of Rs.4.50 crore. The gearing (debt-equity) stood at 3.83 times as on 31 March, 2017 (Provisional) as against 2.16 times as on 31 March, 2016. The total of Rs.26.34 crore as on 31 March, 2017 (Provisional) comprises long term unsecured loans from friends and family to the tune of Rs.12.20 crore and working capital facility of Rs.14.14 crore as on 31 March, 2017 (Provisional). The Interest coverage ratio stood at 1.17 times for FY2016-17 (Provisional) compared to 1.17 times for FY2015-16. Further, SMERA believes that the financial risk profile will remain weak if the promoters fail to infuse further capital or capital is withdrawn from business.

###### Working capital intensive business

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 631 days for FY2016-17 (Provisional) compared to 732 days for FY2015-16. This is mainly on account of high inventory and debtor days of 351 and 280 respectively for FY2016-17 (Provisional). The working capital utilisation has been ~85 percent for Shakthi Seeds Private Limited and fully utilised in case of Anila Seed Private Limited.

## Moderate scale of operations

Both, SSPL (more than three decades) and ASPL (more than a decade) have long track record of operations in the seed processing industry. The total revenue of the group stood at Rs.22.11 crore for FY2015-16 compared to Rs.22.21 crore for FY2014-15. Further, in FY2016-17 (Provisional) the company registered revenue of Rs.22.61 crore.

## Agro climatic risk

The group is exposed to agro climatic risks considering the high dependence on weather.

### Outlook: Stable

SMERA believes that the outlook of the group will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm is able to improve its working capital cycle, scale up operations and increase profitability. Conversely, the outlook may be revised to 'Negative' if the group registers significant decline in revenue, margins or elongation in its working capital cycle, affecting its financial riskprofile.

### About the Rated Entity - Key Financials

The group reported Profit after Tax (PAT) of Rs. 0.34 crore on operating income of Rs. 22.61 crore in FY2016-17 (Provisional) compared to PAT of Rs. 0.27 crore on operating income of Rs. 22.11 crore in the previous year. The net worth stood at Rs. 6.68 crore as on 31 March, 2017 (Provisional) as against Rs. 11.24 crore in the previous year.

### About the Group

The Shakthi Group led by Mr. M. Vidyanath Reddy and Mr. Rajeeva Sangam, is engaged in the processing, development, packaging and marketing of certified seeds. The other group companies are Shakthi Seeds Private Limited and Anila Seed Processing Industries.

### About the Rated Entity

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.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Sep, 2016	Proposed Secured Overdraft	Long Term	6.00	SMERA B / Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B / Stable (Reaffirmed)

**Contacts:**

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Kashish Shah Rating Analyst Tel: 022-67141152 Email: <a href="mailto:kashish.shah@smera.in">kashish.shah@smera.in</a>	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

**ABOUT SMERA**

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