

May 05, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as SMERA single B) to the Rs.10.00 crore bank facility of Shakthi Seeds Private Limited (SSPL). The outlook is '**Stable**'. The rating draws comfort from the company's experienced management. However, the rating is constrained by the company's small-scale operations, stretched working capital cycle and weak financial risk profile. The rating notes that the company's profit margins are susceptible to raw material price volatility and intense competitive pressures.

SSPL, incorporated in 1988, is a Hyderabad-based company engaged in processing, development and marketing of commercial seeds. SSPL benefits from its experienced management. Mr. Vidyanath Reddy, managing director of SSPL, has around three decades of experience in the commercial seeds business.

SSPL has small-scale operations marked by revenue of Rs.21.51 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company has a stretched working capital cycle of 394 days in FY2013-14. SSPL's weak financial risk profile is reflected in gearing (debt-equity ratio) of 1.97 times (as on March 31, 2014), interest coverage ratio (ICR) of 1.17 times and debt service coverage ratio (DSCR) of 1.18 times in FY2013-14. The company's profit margins are susceptible to volatility in raw material prices. SSPL faces intense competition from several players in the commercial seeds business.

Outlook: Stable

SMERA believes SSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profit margins and working capital management. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of stretch in the company's working capital cycle.

About the company

SSPL, incorporated in 1988, is a Hyderabad-based company promoted by Mr. M. Vidyanath Reddy. SSPL is engaged in processing, development and marketing of certified commercial seeds.

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For FY2013-14, SSPL reported profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.21.51 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.22.04 crore in FY2012-13. The company's net worth stood at Rs.6.52 crore as on March 31, 2014, as compared with Rs.6.32 crore a year earlier. SSPL reported PAT of Rs.0.20 crore (provisional) on operating income of Rs.22.39 (provisional) for the period April 2014 to January 2015.

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