

Shakthi Seeds Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Secured Overdraft*	11.80 (enhancement from Rs.10.00 crore)	SMERA B/Stable (Reaffirmed)

*Changed from Cash Credit to 'Secured Overdraft' on the client's request and with banker's consent

SMERA has reaffirmed long term rating of '**SMERA B**' (**read as SMERA B**) on the above mentioned bank facility of Shakthi Seeds Private Limited (SSPL). The outlook is '**Stable**'.

The rating continues to remain constrained by the small-scale of operations, stretched working capital cycle and weak financial risk profile. The rating also notes that the company's profit margins are susceptible to raw material price volatility and intense competitive pressures. However, the rating draws comfort from the experienced management.

Update

SSPL's revenues remained stagnant during FY2014-15 (refers to financial year, April 01 to March 31) at Rs.22.21 crore as compared to Rs.22.51 crore in FY2013-14. In FY2015-16, the firm earned revenue of Rs.21.71 crore (Provisional). The net profit margin stood low at 0.73 per cent in FY2014-15. The company has stretched working capital cycle of 466 days in FY2014-15. The weak financial risk profile is reflected in the gearing (debt-equity ratio) of 3.12 times and interest coverage ratio (ICR) of 1.12 times in FY2014-15.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that SSPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company 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 revenue and profit margins or stretch in the working capital cycle.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

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

For FY2014-15, SSPL reported profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.22.21 crore, as compared with PAT of Rs.0.19 crore on operating income of Rs.21.51 crore in FY2013-14. SSPL reported PAT of Rs.0.16 crore on operating income of Rs.21.71 crore (provisional) in FY2015-16.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
05 May, 2015	Cash Credit	10.00	SMERA B	-	Stable

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ABOUT SMERA

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