

March 26, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	14.00	SMERA B+/Stable (Assigned)
Cash Credit	7.50	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.21.50 crore bank facilities of Shree Ram Agro Sciences Private Limited (SRASPL). The outlook is '**Stable**'. The rating is constrained by the company's limited operational track record, small scale of operations and moderate financial risk profile. The rating is further constrained by the company's exposure to agro-climatic risk and intense competition prevalent in the hybrid seeds sector. However, the rating is supported by the company's experienced management and location-specific advantage.

SRASPL, incorporated in 2012, is a Rudrapur-based company engaged in developing hybrid seeds of paddy, maize, wheat and vegetables. SRASPL has small-scale operations reflected in revenues of Rs.23.41 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's moderate financial risk profile is marked by interest coverage ratio of 1.60 times in FY2012-13, and gearing (debt-equity ratio) of 1.31 times as on March 31, 2013. SRASPL's net worth is moderate at Rs.14.48 crore as on as on March 31, 2013. The company's average utilisation of cash credit limit is high at 86 per cent during August 2013 to February 2014.

SRASPL faces intense competition from several players in the hybrid seeds sector. The company's business is susceptible to adverse changes in climatic conditions.

SRASPL benefits from its experienced management. Mr. Jasvinder Singh, director of SRASPL, has around ten years of experience in the hybrid seeds sector. SRASPL also benefits from its proximity to leading agricultural universities and research centres in Uttarakhand.

Outlook: Stable

SMERA believes the outlook on SRASPL's rated facilities will remain stable over the medium term on the back of the company's experienced management and location-specific advantage. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenues and profitability while achieving comfortable debt protection metrics and sound working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital cycle, or in case of deterioration in the company's capital structure.

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About the company

SRASPL, incorporated in 2012, is a Rudrapur-based company promoted by Mr. Jasvinder Singh. SRASPL is engaged in developing hybrid seeds.

For FY2012–13, SRASPL reported net profit of Rs.0.46 crore on operating income of Rs.23.41 crore. The company's net worth stood at Rs.14.48 crore as on March 31, 2013.

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