

Hariman Seeds

March 02, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total Facilities	12.00 (Rs. Twelve Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 29, 2020 placed the ratings of Hariman Seeds (HS) under the 'issuer non-cooperating' category as HS had failed to provide information for monitoring of the rating. HS continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated January 25, 2021, January 27, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by HS with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing by project execution risk and stabilization risk, partnership nature of its constitution and Business susceptible to the vagaries of nature and competitive nature of industry.

The ratings, however, continue to take comfort from experienced management and favourable manufacturing location.

Detailed description of the key rating drivers

At the time of last rating on January 29, 2020 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Project execution risk and stabilization risk

The initial cost of setting up the facility is estimated to be Rs. 11.02 crore, proposed to be funded by term loans of Rs.6 crore and balance through promoter's contribution (including share capital and unsecured loans) of Rs.5.02 crore. As on November 2018, the firm has incurred ~50% of the total project cost, funded through promoter contribution and bank debt of Rs.3.35 crore and Rs.2.30 crore respectively. The commercial operations of the firm are projected to start from February, 2019. This exposes the firm towards project execution in terms and completion of the project with-in the envisaged time and cost. During the initial phases of operations, the capital structure of the firm is expected to remain leveraged due to debt funded capex undertaken coupled with dependence on bank borrowings to meet the working capital requirements.

Partnership nature of its constitution

HMS's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Business susceptible to the vagaries of nature and competitive nature of industry

Agro-based industry is characterized by seasonality, as it is dependent on the availability of raw materials, which varies with different harvesting periods. Rice is the major raw material which in turn depends on paddy. The peak paddy procurement season is during October to January during which the firm builds up raw material inventory to cater to the processing of rice throughout the year. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices hence impacting rice prices. The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. There are several small scale operators which are not into end-to-end processing of rice from paddy, instead they merely complete a small fraction of processing and dispose-off semiprocessed rice to other big rice millers for further processing. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Key Rating Strengths**Experienced management**

Mr. Amit Kumar Agarwal looks after overall operation of firm. He has around seven years of experience in agro industry through his association with family run businesses. Also, he is supported by his father and brother, Mr. Harish Chand Agarwal and Mr. Rahul Agarwal respectively, in managing overall operations of the firm. They have extensive experience in agro industry through their association with related party concerns.

Favorable manufacturing location

The firm's processing facility is situated in Uttarakhand which is one of the rice belts of India having high paddy cultivation. Its presence in the region gives additional advantage over the competitors as easy availability of the raw material as well as favorable pricing terms.

Analytical Approach: Standalone**Applicable criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Rating Methodology - Wholesale Trading](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Firm

Sitarganj (Uttarakhand) based Hariman Seeds is a partnership company and was established in October, 2017. The commercial operation is expected to start from February, 2019, and is currently being managed by Mr Amit Kumar Agarwal, Mr Rahul Agarwal and Mr Harish Agarwal.

HMS procures paddy from local grain markets through open market situated locally. HMS is primarily targeting sells its product through brokers and commission agents in Northern India viz. Uttarakhand, export to Africa, UAE to wholesalers, traders.

The procurement of paddy normally depends on moisture content and portion of rice in paddy, after which it is dried and polished.

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE B+; Stable (04-Mar-19)	-
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE B+; Stable (04-Mar-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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