

## Chaitanya Seeds Private Limited

December 17, 2021

### Ratings

| Facilities/Instruments       | Amount<br>(Rs. crore)  | Rating <sup>1</sup>  | Rating Action   |
|------------------------------|--|--|---|
| Long Term Bank Facilities    | 10.88  | CARE B; Stable;<br>ISSUER NOT COOPERATING*<br>(Single B; Outlook: Stable<br>ISSUER NOT COOPERATING*) | Revised from CARE B+; Stable<br>(Single B Plus; Outlook: Stable) and<br>moved to ISSUER NOT<br>COOPERATING category |
| <b>Total Bank Facilities</b> | <b>10.88</b><br><b>(Rs. Ten Crore</b><br><b>and Eighty-Eight</b><br><b>Lakhs Only)</b> |  |   |

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Chaitanya Seeds Private Limited to monitor the ratings vide e-mail communications dated October 06, 2021, November 02, 2021, November 09, 2021, December 13, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided requisite information for monitoring the ratings. 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. The ratings on Chaitanya Seeds Private Limited bank facilities will now be denoted as **CARE B; Stable ISSUER NOT COOPERATING\***.

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

The ratings have been revised due to non-availability of sufficient information to take up the review.

### Detailed description of the key rating drivers

At the time of last rating December 28, 2020, the following were the rating weaknesses and strengths:

#### Key Rating Weaknesses

##### Small scale of operations with fluctuating total operating income during the review period

The scale of operations of the company is small marked by total operating income at Rs. 4.53 crore in FY20 and with lower net worth of Rs. 5.26 crore as on March 31, 2020 when compared to other peers in the industry.

The total operating income (TOI) of the company has been increasing during the review period. The TOI of the company increased from Rs.1.98 crores in FY18 to Rs. 4.53 crores in FY20 due to increase in orders for Seed processing on Job work basis. During 8MFY21 (Prov.), the TOI Rs. 2.42 crore with PAT of Rs. 0.30 crore in 8MFY21 (Prov.), as confirmed by the management.

##### Seasonality associated with agro commodities and presence in highly fragmented and government regulated industry

As the company is engaged in the business of agriculture commodities, the prices of agriculture commodities remained fluctuating and depend on production yield, demand of the commodities and vagaries of weather. Hence, profitability of the company is exposed to vulnerability in prices of agriculture commodities. Further, the business of the company is highly fragmented and competitive in nature as evident by the presence of numerous unorganized and few organized players. The entry barriers in this industry are very low on account of low capital investment and technological requirement. Due to this, the players in the industry do not have any pricing power. Further, the industry is characterized by high degree of government control both in procurement and sales for agriculture commodities. Government of India (GoI) decides the Minimum Support Price (MSP) payable to farmers.

#### Key Rating Strengths

##### Long track record of the promoters and qualified management

Mr. V. Rajeshwar Rao, the promoter of CSPL, holds a bachelor's degree in Agriculture and has around 30 years of experience in the seed processing industry. Mr. V. Srikanth, the managing director of CSPL, holds a Master's degree in Business Administration (Marketing) and has around 10 years of experience in this segment. Mr. V. Rajeshwar Rao takes care of production and Mr. V. Srikanth looks after the marketing activities of CSPL.

##### Comfortable profitability margins albeit fluctuating during the review period.

The profitability margins of the company stood comfortable albeit fluctuating during the review period. The profitability margins marked by PBILDT margin is fluctuating in the range of 21.60% to 53.73% during FY18-FY20. The PBILDT margin of the company has increased from 21.60% in FY18 to 53.74% in FY19 due to increase in total operating income during FY19 and the PBILDT margin of the company has decreased to 40.94% in FY20 due to increase in selling expenses in FY20 and also addition

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

of seed processing and trading of vegetable seeds to local farmers apart from Job Work basis. The PAT margin of the company is also fluctuating during the review period in the range of 4.69% to 16.43% during FY18-FY20 in line with PBILDT in absolute terms and also increase in finance costs during the review period.

#### **Moderate capital structure and debt coverage indicators.**

The capital structure of the company stood moderate during the review period. The capital structure of the company marked by overall gearing ratio is improving during the review period. The overall gearing ratio of the company has improved 4.25x as on March 31, 2018 to 1.19x as on March 31, 2020 on account of decrease in total debt and also increase in total net worth during the review period. The debt coverage indicators of the company stood moderate marked by Total debt / GCA is improving from 30.74x in FY18 to 7.20x in FY20 on account of decrease in total debt. The interest coverage ratio of the company is deteriorating from 5.30x in FY18 to 2.03x in FY20 due to increasing interest cost during the review period.

#### **Comfortable operating cycle days**

The operating cycle of the company remained satisfactory during the review period. The company collects the payments from its customers within 30 days to 60 days from the date of billing. Further, the company has availed a credit period of 30 to 45 days from the suppliers. The operating cycle days of the firm stood at 38 days in FY20.

#### **Liquidity: Stretched**

The liquidity profile of the company stood stretched. The company has cash balance of Rs. 0.14 crore as on March 31, 2020. Furthermore, the current ratio of the company stood below unity at 0.60x as on March 31, 2020. The company has not availed moratorium period during lockdown as confirmed by the banker.

**Analytical approach:** Standalone

#### **Applicable Criteria**

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

#### **About the Company**

Telangana based, Chaitanya Seeds Private Limited was incorporated in 2000 as a Private Limited Company by Mr. Rajeshwar Rao and Mrs. Saroja. The Company is engaged in processing of vegetable seeds on job work basis to BASF (MNC) with its registered office located at Dilsukhnagar, Hyderabad. The company has installed capacity of 2 tonnes per hour and the company generally works in 9 am to 6 pm from (July to February) and from (April to June) the company works in 2 shifts. Moreover, the company has given warehouse leases of 2 units. Unit 1 with 40,000 sq. feet and unit 2 with 1, 28,000 sq. feet out of which Unit 1 is completely leased and from Unit 2 (88,000) sq. feet have been given for lease and 40,000 sq. feet is using for Job work basis.

| <b>Brief Financials (Rs. crore)</b> | <b>FY19 (A)</b> | <b>FY20 (A)</b> | <b>FY21(Prov.)</b> |
|-------------------------------------|-----------------|-----------------|--------------------|
| Total operating income              | 4.01            | 4.53            | NA                 |
| PBILDT                              | 2.15            | 1.86            | NA                 |
| PAT                                 | 0.66            | 0.47            | NA                 |
| Overall gearing (times)             | 2.46            | 1.20            | NA                 |
| Interest coverage (times)           | 2.61            | 2.03            | NA                 |

*A: Audited; Prov: Provisional; NA: Not available;*

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

#### **Annexure-1: Details of Instruments / Facilities**

| <b>Name of the Instrument</b> | <b>ISIN</b> | <b>Date of Issuance</b> | <b>Coupon Rate</b> | <b>Maturity Date</b> | <b>Size of the Issue (Rs. crore)</b> | <b>Rating assigned along with Rating Outlook</b> |
|-------------------------------|-------------|-------------------------|--------------------|----------------------|--------------------------------------|--|
| Fund-based - LT-Term Loan     |             | -                       | -                  | December-2027        | 10.88                                | 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 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1       | Fund-based - LT-Term Loan              | LT              | 10.88                          | CARE B; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE B+; Stable (28-Dec-20)             | -   | -   |

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this company**

| Sr. No | Name of instrument        | Complexity level |
|--------|---------------------------|------------------|
| 1      | Fund-based - LT-Term Loan | Simple           |

**Annexure 4: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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### Disclaimer

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