

NRI Agritech Private Limited

December 17, 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*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	12.00 (Rs. Twelve Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from NRI Agritech Private Limited to monitor the ratings vide e-mail communications dated October 06, 2021, November 02, 2021, November 09, 2021, December 06, 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 NRI Agritech 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 23, 2020, the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Small scale of operations and thin profitability margins albeit improved during FY20

The scale of operations of the company stood small marked by total operating income remained stable and stood at Rs. 39.57 crore with lower net worth base of Rs. 2.23 crore in FY20. The Profitability margins of the firm continues to remain thin marked by PBILDT margin of the firm stood at 4.73% and 4.75% respectively in FY19 and FY20 and the PAT margin of the firm remained below nil in FY20 as compared to 0.04% in FY19 at the back of increase in absolute PBILDT and absorption of interest cost and depreciation provision.

Decreasing total operating income during the review period

The total operating income of the company has marginally decreased from Rs. 39.91 crore in FY19 to Rs. 39.57 crore in FY20 due to decrease in demand for the seeds in the market in the last quarter Q4FY20.

Leveraged capital structure and weak debt coverage indicators during the review period

The capital structure of the firm marked by overall gearing has deteriorated from 7.19x as on March 31, 2019 to 7.64x as on March 31, 2020 due to increase in total debt. The total debt profile of the firm consists of secured term loans of 0.09 crore and unsecured loans of Rs. 3.91 crore and working capital borrowing of 13.02 crore as on March 31, 2020. The total debt/GCA also remained weak and deteriorated and stood at 298.82x in FY20 due to decrease in cash accruals. The PBILDT/Interest coverage ratio has and stood 1.06x in FY20.

Elongated operating cycle during the review period

The operating cycle of the company is working capital intensive nature of operations. The working capital cycle days of the company has increased from 170 days in FY19 to 178 days in FY20 on account of higher inventory days of 154 days in FY20 the company maintain high level of inventory to meet the customers demand on time. The average utilization of cash credit facility stood at 99 per cent in the last twelve months ended with November 30, 2020 as confirmed by the banker.

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

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 and experienced promoters

NRI Agritech Private Limited (NRIAPL) was incorporated by Mr. A. Rajendra Prasad and Mr. K. B. Nagendra Prasad as a Private Limited Company in the year 2008. Currently the business operations are managed by Mr. A. Rajendra Prasad (Managing Director) and Mrs. A. Madhavi (Director). Mr. A. Rajendra Prasad who comes from the family of agricultural background and is a qualified graduate having experience of about 20 years in the seed processing industry. Mrs. A. Madhavi is a post graduate by qualification and has 10 years of experience in seed processing industry. Due to long term presence of promoters in the market, they have established relations with its customers and suppliers.

Stable outlook of seed processing industry

The Indian seed market has witnessed a major restructuring as a result of the implementation of some progressive policies by the government. Seed Development, 1988 and National Seed Policy, 2002 have helped in strengthening the Indian seed industry in the areas of R&D, product development, supply chain management and quality assurance. Owing to this, India has emerged as the fifth largest seed market across the globe. Moreover, the active participation of both, public and private sectors has also played a vital role in laying a strong foundation of the industry. This includes launching initiatives to promote the use of hybrid seeds among the farmers who had earlier used outmoded open pollinated varieties. Some other growth-inducing forces, such as growth in income levels, commercialization of agriculture, patent protection systems and intellectual rights over plant varieties, have given a great push to the market. Owing to these factors, the Indian seeds market is further expected to grow at a CAGR of 14.3% during 2018-2023, reaching a value of more than US\$ 8 Billion by 2023.

Liquidity: Stretched

The liquidity profile of the firm stood stretched. The firm has cash balance of Rs. 0.09 crore. Furthermore, the current ratio of the firm stood at 1.41x as on March 31, 2020. The average utilization of working capital by firm is 99% for the last twelve months ended November 30, 2020. The company has availed moratorium period from March to August 2020 as confirmed by the banker. The company has availed moratorium on loan.

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

Andhra Pradesh based, NRI Agritech Private Limited (NRIAPL) is a Private Limited Company which was incorporated by Mr. A. Rajendra Prasad and Mr. K. B. Nagendra Prasad in the year 2008. The company is engaged in processing and marketing of seeds (Pulses, Maize, Paddy and Chilly). Currently the business operations are managed by Mr. A. Rajendra Prasad (Managing Director) and Mrs. A. Madhavi (Director). The company has its own R&D Department which produces basic seeds. The production department purchases seeds from farmers and processes the seeds. After processing, the company does labelling and packing. The company markets the products in the name 'NRI Seeds' to the dealers located in Andhra Pradesh and Telangana.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	FY21(Prov.)
Total operating income	39.91	39.57	NA
PBILDIT	1.89	1.88	NA
PAT	0.02	0.00	NA
Overall gearing (times)	7.19	7.64	NA
Interest coverage (times)	1.07	1.06	NA

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

Status of non-cooperation with previous CRA: Brickwork has placed the ratings under issuer not cooperating category due to absence of sufficient information to review the ratings vide its PR dated September 07, 2021

Any other information: Not Applicable

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

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	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 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-Cash Credit	LT	12.00	CARE B-; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (23-Dec-20)	1)CARE B+; Stable (26-Sep-19) 2)CARE B+; Stable; ISSUER NOT COOPERATING * (17-Jun-19)	1)CARE B+; Stable (02-Nov-18)

*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-Cash Credit	Simple

Annexure 4: Bank Lender Details for this Company: NA

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.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Prasanna Krishnan Lakshmi Kumar
Contact no.: 040-67937421
Email ID: prasanna.krishnan@careedge.in

Relationship Contact

Name: Ramesh Bob Asineparthi
Contact no.: +91 90520 00521
Email ID: ramesh.bob@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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