

Nuziveedu Seeds Limited

March 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	100.00	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Nuziveedu Seeds Limited (NSL) considers uptick in total operating income and profitability levels and margins in FY23 on consolidated level (FY refers to period April 01 to March 31), sustained growth in 9MFY24, healthy financial risk profile with strong liquidity maintained in the form of cash to the tune of ₹25.58 crore and investments by way of liquid mutual funds amounting to ₹90.86 crore as on March 31, 2023 and negligible debt, strong and experienced promoters supported by professional and qualified management, robust internal research and development (R&D) capabilities, as well as its expansive distribution network spanning all major crop-growing regions in India along with existence of own germplasm. These factors have positioned NSL as a leading contender in the Indian hybrid cotton seed market and other field crops, geographically diversified product portfolio led by major contribution from cotton seeds and geographically diversified production centres. The rating is however tempered by significant exposure to group companies which further increased as of March 31, 2023, elongated operating cycle and dependence on agro-climatic variations.

In FY23, NSL has invested ₹122.99 crore in group entities, ₹97.99 crore in Golden Tower Infratech Private Limited (GTIPL) which is engaged in development of IT special economic zone (SEZ) in Noida and ₹25 crore in NSL Energy Ventures Private Limited (NEVPL) engaged in energy generation with a special focus on renewable energy.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale of operations and improvement in the profit before interest, lease rentals, depreciation and tax (PBILDT) margins over 22% on a sustained basis.
- Maintaining operating cycle consistently below 180 days.
- Reduction in product concentration with no single variety of seed contributing more than 30%.

Negative factors

- Overall gearing going beyond 0.75x on sustained basis.
- To undertake the capital expenditure (capex) by utilizing the internal accruals or any further investment in subsidiaries or associate companies from the cash flows generated from the company, causing liquidity strain.

Analytical approach: Consolidated

Consolidated financial statements based on financials of NSL, its subsidiaries as provided namely Pravardhan Seeds Private Limited, Yaaganti Seeds Private Limited, Prabhat Agri Biotech Limited, Asian Agri Genetics Limited, Fortune Hybrid Seeds Limited, Global Agrigenetics India Private Limited, PT Nuziveedu Indonesia, are considered as mostly these companies are in similar line of business of manufacturing of seeds and are managed by the same promoters. While Topnotch Projects Private Limited, Garden City Avenues Private Limited and Jubilee Real Projects (India) Private Limited are subsidiaries with no operations and primarily investment companies of promoters.

Outlook: Stable

Stable outlook on the rating considers satisfactory operational and financial performance based on the existing seeds production capabilities, distribution network and prudence in the utilisation of working capital facilities.

Detailed description of the key rating drivers:

Key strengths

Increase in total operating income and profitability during FY23, trend continues in 9MFY24: Total operating income (TOI) of the company at consolidated level increased from ₹927.01 crore in FY22 to ₹1,090.74 crore in FY23. On consolidated basis, company had sold 77 lakh packets (475 grams per packet) of seeds in FY23 as against 60 lakhs packets during FY22.

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

Further, the average price per packet of the cotton seeds marginally increased from ₹628 in FY22 to ₹661 in FY23 (+5%) on account of increase in MRP.

On standalone basis, company had sold 33 lakh packets (475 grams per packet) of seeds in FY23 as against 27 lakhs packets during FY22. However, the average price per packet of the cotton seeds marginally decreased from ₹678 in FY22 to ₹660 in FY23 (-3%) on account of higher sales of low margin cotton variant.

PBILDT margin of the company at consolidated level has improved to 18.33% in FY23 from 15.33% in FY22, owing to increased sales of maize single cross (SX) and other field crop seeds fetching higher margins. In addition, drop in other agricultural and incidental charges related to seeds production contributed to improved margins. Profit after tax (PAT) margins also improved in line from 15.46% in FY22 to 18.58% in FY23. NSL continues to grow with TOI of ₹1,040.15 crore and earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 26% as of end of 9MFY24.

Healthy financial risk profile: The overall gearing of the company at consolidated level has remained strong at 0.01x, both on March 31, 2022 and March 31, 2023. The company has nil working capital borrowing as on March 31, 2023, and minimal term debt of ₹0.21 crore and lease liability of Rs.5.67 crore (recognised as per Ind AS 116) as on March 31, 2023. Total debt to gross current assets (GCA) stood comfortable at 0.03x on March 31, 2023, as against 0.02x as on March 31, 2022. PBILDT interest coverage ratios remained comfortable at 101 times in FY23 against 37 times in FY22.

Strong and experienced promoters: The NSL group is an established South India-based industrial house being promoted by M Prabhakara Rao who has more than three decades of experience in the seed business and has been on advisory board of several major seed industry associations operating in the country like the Cotton Advisory Board formed by Ministry of Textiles, Government of India (GoI). The NSL group has diversified business portfolio with presence in hybrid/open pollinated seeds, cotton ginning and pressing, textiles, sugar, real estate infrastructure, power (wind, hydel and biomass).

Established track record supported by professional and qualified management: The NSL group has more than five decades of presence in the Indian seeds industry. Cotton hybrid seeds are the major products and NSL has about 260 varieties of approved hybrid commercial cotton seeds out of 641, approved by the Genetic Engineering Approval Committee (GEAC) under the Ministry of Environment & Forests, GoI. NSL has a professionally managed board. It is governed by a seven-member board with three of them belonging to the promoter's family, one whole-time director and three independent directors. All the directors are highly qualified professionals with long industry experience. The board is further assisted by qualified professionals down the hierarchy.

Strong R&D facilities: NSL has well-equipped R&D facilities comprising biotechnology, seed testing and quality testing labs at more than six locations in the country. The main research centre located at Kompally, Hyderabad is accredited by the International Seed Testing Association. Besides, the company has multi-location trial centres, Grow out Test (GoT) farms (spread across 450 acres) to test the genetic purity of a seed sample. NSL also has in place collaboration with crop research institutes IRRI Philippines, NDSU USA, Plant research international – Netherlands, CAMBIA – Australia, Indian Council of Agricultural Research, International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), among others, which facilitates research activities. Besides, NSL has 14 seed processing units which facilitate increased operational efficiency. The company focuses its R&D efforts on developing new products as well as addressing gaps in technology by integrating traditional breeding techniques and modern technology. The company emphasizes on higher yields, product quality, insect and disease tolerance, drought tolerance and expedient results.

Strong and efficient marketing network and existence of own germplasm: The company has strong sales and marketing network consisting of 10 regional offices, seven carrying & forwarding (C&F) agents, 7,500 distributors and more than 80,000 dealers & sub-dealers spread across 19 states of the country. Besides, NSL has tie-up with various agricultural institutions and has partnered with several institutions like Krishak Bharati Cooperative Limited, ICRISAT, National Seed Corporation, ITC, Hariyali and Coromandel International Limited to increase its presence. The major raw material for hybridization process is germplasm (stored as seed collection) i.e., genetic pool of seeds which includes varieties of plants with variations DNA exhibiting different properties adapting to varying agro-climatic conditions. Once desired traits are achieved, the hybrid seeds are multiplied by cultivating them in fields. NSL has developed its own germplasm for the different varieties of hybrid seeds.

Geographically diversified production centres: The production centres of NSL are geographically diversified across various states in India for different crops. Currently, the company produces seeds in states like Gujarat, Andhra Pradesh, Telangana, Odisha, Maharashtra, Tamil Nadu, Uttarakhand and Karnataka which are located in different agro-climatic zones of the country. This diversification helps the company to mitigate risk to a certain extent if there is any disturbance in production of seeds on account of vagaries of monsoons. The seed production area of the company is spread over in about 95,000 acres with about 98,000 seed growers across India having partnered with the company in producing seeds.

Geographically diversified product portfolio albeit revenue concentration towards cotton seeds: NSL has presence in about 19 states in the country and the revenue is diversified across all the states with Maharashtra, Andhra Pradesh, Telangana, Uttar Pradesh, and Madhya Pradesh together contributing around 49% of total sales in FY23 as against 52% of total sales in FY22.

Key weaknesses

Increase in exposure to group companies: The promoters have tendency to support weaker entities of the group. During FY23, NSL has invested ₹97.99 crore in GTIPL and ₹25 crore in NEVPL in the form of redeemable preference shares. The group has also made investment in NSL Estates Private Limited (NEPL) of ₹75 crore in form of optionally convertible debentures. Any additional investment towards group companies shall be credit rating sensitivity.

Elongated operating cycle: Operating cycle of the company at consolidated level has slightly increased to 228 days in FY23 from 223 days in FY22. The average inventory holding days remains on the higher side at 259 days in FY23 as the company has to maintain huge inventory in Q4 of the financial year in order to sell them in beginning of Kharif season (June to October) and also to mitigate the risk arising from unexpected unseasonal vagaries of monsoons.

Dependent on vagaries of nature: The business of NSL is seasonal and extremely dependent on the rainfall and other climatic conditions (necessary for cultivation of cotton and other crops). Cotton seed, the major revenue earner, is an agricultural seasonal commodity with major portion of revenue (about 65%) accruing in the first quarter of the year. As such the profitability is susceptible to crop failure in any particular season. However, the company has presence in about 19 States and in areas which are well irrigated which insulates it against the monsoon risk to a certain extent.

Liquidity: Strong

Liquidity is marked strong with GCA of ₹225.46 crore in FY23 against negligible repayment obligations of ₹0.03 crore in FY24. The company has cash to the tune of ₹25.58 crore and liquid mutual funds' investments of ₹ 90.86 crore as on March 31, 2023. With negligible debt as of March 31, 2023, the issuer has sufficient gearing headroom, to raise additional debt for any capex. There has been no utilization of working capital limits in the past 12 months ending December 2023.

Environment, social, and governance (ESG) risks

Risk factors	
Environmental	1.NSL makes use of age-old traditional practices, biological fertilizers, biological seed treatments and use of natural mulching practices. NSL has also been using traditional botanical extracts and bio-composting techniques for enhancing productivity in its seed production plots. 2.Actively involved in promotion of High Density Planting System (HDPS) for creating awareness on sustainable and regenerative agronomic practice. 3.Promotion of Direct Sown Rice (DSR) for efficient cultivation.
Social	1. Corporate Social Responsibility (CSR) expenditure for FY23 was of ₹3.14 crore (PY: ₹3.04 crore). 2. NSL has also been working regularly with smallholder farmers and especially tribal woman farmers in various States of India to improve their livelihoods in alignment with integrated cropping systems including livestock and fisheries, among others.
Governance	1. Seven-member board of directors is composed of three independent directors. 2. Transactions with related parties are sufficiently disclosed in the audited financials.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Other Agricultural Products

Nuziveedu Seeds Limited incorporated in March 2008 belongs to the NSL group of Hyderabad. The NSL group was promoted by M Prabhakara Rao who has more than three decades of experience in the seed business and has been on advisory board of several major seed industry associations operating in the country. NSL is engaged in production, processing and selling of hybrid/

open pollinated seeds of various crops (cotton, maize, paddy, jowar, bajra, sunflower, wheat and mustard, among others) and vegetables (brinjal, chillies, tomato, ladyfinger, and cabbage).

Consolidated

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	927.01	1090.74	1040.15
PBILDT	142.08	199.94	268.47
PAT	143.30	202.63	NA
Overall gearing (times)	0.01	0.01	NA
Interest coverage (times)	37.12	100.73	178.98

A: Audited UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

Standalone

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	640.83	723.62	651.50
PBILDT	79.46	132.91	153.99
PAT	82.63	197.97	140.60
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	29.42	125.50	NA

A: Audited UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	100.00	CARE A+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	100.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-23)	1)CARE A+; Stable (25-Feb-22)	1)CARE A+; Stable (04-Feb-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

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

Annexure-5: Lender detailsTo view the lender-wise details of bank facilities please [click here](#)**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Pravardhan Seeds Private Limited	Proportionate	Similar line of business i.e. manufacturing of seeds and are managed by same promoters
2	Yaaganti Seeds Private Limited	Full	
3	PT Nuziveedu Seeds Indonesia	Full	
4	Prabhat Agri Biotech Limited	Full	
5	Asian Agri Genetics Limited	Full	
6	Fortune Hybrid Seeds Limited	Full	
7	Global Agrigenetics India Private Limited	Full	
8	Jubilee Real Projects (India) Private Limited	Full	Wholly owned subsidiary
9	Topnotch Projects Private Limited*	Full	
10	Garden City Avenues Private Limited	Full	

Note on the complexity levels of the rated instruments: CARE Ratings 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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