National Seeds Corporation Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	75.00	CARE AA; Stable	Reaffirmed; Outlook revised from Negative
Long-term / Short-term bank facilities	50.00	CARE AA; Stable / CARE A1+	Reaffirmed; Outlook revised from Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has reaffirmed ratings assigned to bank facilities of National Seeds Corporation Limited (NSC) at CARE AA/A1+ while revising the outlook for the long-term instruments from Negative to Stable.

Reaffirmation of ratings to bank facilities of NSC continue to derive strength from the operational ties with the Government of India (GoI) and the importance of NSC to the GoI for the implementation of programmes of national importance and also aiding in making the country self-sufficient in agriculture output through seed production and distribution. Ratings also factor in the established track record of NSC in seed processing and the production of seeds across diverse certified crops and sowing seasons; the company's established market position with an extensive network of seed growers, owned farms, and processing-cum-warehousing units across India. The company is able to modestly improve its operational profile year-over-year (y-o-y) supported by the robust kharif season marked by improvement in sales volume and consequent healthy improvement in the profitability margins. Considering nil term loan and no debt funded capex envisaged the balance sheet remains unleveraged as the company relies on capital grants received from government and internal accruals only to meet its capital requirements.

However, these rating strengths are constrained by the elongated debtor days, susceptibility to agro-climatic conditions, and stiff competition from private players and state seed corporations

Earlier CARE Ratings Limited (CARE Ratings) had put the outlook on long term bank facilities of NSC to 'Negative' considering the continued debtor elongation with expected continuation in the near term, thus blocking liquidity in receivables and cash flow from operations and also stated that, the outlook may be revised to 'Stable' if the company is able to sustain its revenue and sustained improving profitability margins while improving its working capital cycle.

CARE Ratings notes the company's operational profile has shown consistent year on year improvement marked by a 6% growth in the total operating income (TOI) in FY24 while the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin stood at 5.63% in FY24. The company has also been able to maintain a stable receivable position in the age bracket one year to over three years in the last three years and hence, the absence of significant accumulation of overdue receivables in this category underlines the improvement in the receivable position, reflecting positively on debtors' days, improving the overall working capital cycle despite marginally. Hence, the outlook has been revised from 'Negative' to 'Stable'.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in the income (above 15%-20%) and profitability (above 8-10%) and improvement in the working capital cycle (less than 90 days) with strategic importance to GoI remaining intact.

Negative factors

- Lower-than-expected accruals due to significantly declining income or profitability or continued elongating working capital cycle.
- Deteriorating liquidity and overall financial risk profile (overall gearing over 0.5x and total debt (TD)/PBILDT over 2x).
- Major change in the operational ties or reduction in the strategic importance to the GoI. Major disinvestment in the entity where GOI losses its control on the entity.
- Deteriorating receivables cycle with outstanding receivables remaining above ₹600 crore on sustained basis or average collection period above 160 days.

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

Analytical approach: Standalone
However, ratings factor in the strong linkages with the GoI and NSC being "Mini Ratna" category -1, the company is under the administrative control of the Ministry of Agriculture and Farmers Welfare having significant importance in the agriculture sector.

Outlook: Stable
Revision in the outlook from 'Negative' to 'Stable' is considering sustenance in the company's receivables profile in the last three years contributing to the improvement in the working capital cycle despite marginally. CARE Ratings notes the gross trade receivables have remained stable in the range of ₹480 – ₹530 crore at the year ended March 31 for the last three years in FY24 and receivables exceeding the three years age bracket continue to be associated primarily with state debtors due to the financial constraints faced by certain government agencies.
The 'Stable' outlook signifies CARE Ratings' belief that the company will continue to maintain a healthy operational profile in the medium term and in the absence of long term debt and strong liquidity position, the capital structure will remain comfortable.

Detailed description of key rating drivers:

Key strengths

Strong operational linkages with the GoI
NSC is a Schedule 'B'-Miniratna Category-I company wholly owned by the GoI (as on December 31, 2023) under the administrative control of the Department of Agriculture Cooperation & Farmer's Welfare Ministry of Agriculture and Farmers Welfare. With the launch of the National Seed Project in 1974, NSC was assigned the lead role to develop the seed industry in the country. NSC has played a pivotal role in the development of the industry since its inception in 1963 and contributes towards meeting the national requirement of supply of quality seeds of different crops and varieties to farmers.
NSC had made investments in 10 of 17 State Seeds Corporations (SSCs) in India in 1970s of the funds provided by the GoI under National Seeds Project (NSP) Scheme to enhance its reach in seed sector and exchange of seed technology with SSCs. NSC plays a key role in the implementation of schemes of the GoI such as the 'Food and Nutrition Security (FNS) (erstwhile- NFSM)', the 'Mission for Integrated Development of Horticulture (MIDH)' and 'Krishonnati Yojna', among others aimed at making the country self-sufficient in agriculture output. To support its operations, NSC receives capital grants for the implementation of projects and revenue subsidies related to the production and distribution of seeds. GoI has representation through two nominee directors on the board.

Well-established track record of operations
NSC was established in 1963 and has over five decades of track record in seed production and related activities. NSC has pioneered the growth and development of the seed industry in India. NSC produces test stock, breeder, foundation, and certified seeds of crops in different regions of the country. Over the years, the company has established a strong market presence for the production and distribution of seeds. NSC undertakes the production of seeds at its own farms and through registered seed growers.
NSC has eight farms consisting of nearly 22,000 hectare land and over 14,100 registered seed growers all over the country to undertake seed production programmes in different agro - climatic conditions.

Diversified product portfolio and strong distribution network
NSC's portfolio covers 80+ crops consisting of ~627 varieties across cereals, oilseeds, pulses, millets, fodder, fibres, green manure, and a wide range of vegetables.
The sales of seeds of cereals, pulses, and oilseeds contribute ~80% of the company's total sales in FY24. The diversified product portfolio and the large network of seed growers mitigate the risks arising due to specific crop failures or demand risks. NSC is a national-level company with presence across all states. NSC has 11 regional offices, 48 area offices, 107 marketing centres, 30 seed production centres, and four seed testing and quality control labs across the country, thus providing a strong market presence.

Improving scale of operations and profitability margins despite modest
NSC's primary objective being a central public sector enterprise (CPSE) unit is to multiply the seeds of new varieties being bred by National Agriculture Research System (NARS). NSC provides seeds to farmers so that farmers are able to grow agricultural crops. These are mainly low-value and high-volume seeds. NSC also carries out objectives of the GoI. Hence, due to these reasons, the profitability will be lower than private sector entities.
However, in FY24, NSC reported a year-over-year (y-o-y) improvement of 6% in the TOI to ₹1,143.27 from ₹1,078.23 crore in FY23 driven by a robust kharif season evidenced by a 13% y-o-y growth in sales. In H1FY25, the company's net sales stood at ₹472.90 crore which stood at ₹765 crore up to November 2024 against the sales of ₹651 crore recorded till November 2023.

Consequently, the PBILDT margins improved to 5.63% in FY24 from 3.70% in FY23. CARE Ratings notes this improvement is also driven by an income of ~₹5–6 crore from the Animal Husbandry Project. Savings on employee finance costs further contributed to the enhanced margins.
Looking forward, sustenance in the profitability margin will remain a key monitorable.

Comfortable capital structure
The company has a healthy net worth of ₹743.24 crore as on March 31, 2024 (PY: ₹713.76 crore. Typically, the company does not avail long-term loans for capital expenditure (capex) or expansion activities; it relies on capital grants received from the government and internal accruals only. However, the company utilises debt in the form of cash credit or short-term loans to support its working capital requirements only in the peak procurement seasons. Thus, the balance sheet is largely unleveraged as on December 31, 2024, similar to the fiscal endings FY24, FY23 and FY22. Going forward as well, no major working capital debt usage as on the balance sheet ending date is expected.
The PBILDT interest coverage improved to 47.72x in FY24 from 12.87x in FY23 considering improving profitability derived out of favourable conditions in the kharif season compared to the previous year and negligible debt. Over the medium term also, the coverage indicators are anticipated to remain comfortable considering negligible debt and sustenance of improved profitability.

Key weaknesses

Elongated debtor days however static in last three years
The company receives production and distribution subsidies for the sales, respectively, under schemes of the government. Typically, subsidies for a year are received in the subsequent year. However, the company has a significant portion of its sales being derived from government agencies.
The gross trade receivables remained stable at ₹531.12 crore in FY24, compared to ₹529.56 crore in FY23 and stood at ₹465 crore as on September 30, 2024. While the company has faced no challenges in realising new trade receivables, receivables exceeding three years continue to be associated with state debtors attributed to financial constraints faced by certain government agencies. The total debtors in the age bracket one year to over three years have not increased and remain stable in the range of ₹280-290 crore in the past two years, reflecting positively on debtors' days despite marginally from 167 days in FY23 to 160 days in FY24. The major regional offices with the highest receivables are Jaipur, Hyderabad and Bhopal wherein sanctions are in place but due to the unavailability of funds, receivables are outstanding.
The company has made provisions against trade receivables aged beyond three years to address this and so far, provisioning of ₹77.44 crore have been made as on March 31, 2024, while ₹20-30 crore of provisions are expected to be made yearly. The company's sales mix has also evolved, with 60% sales now directed to government entities down from 80% and 40% through dealers against 20% previously.
The company's creditors have consistently ranged between ₹350-400 crore with ₹382 crore recorded as on March 31, 2024. ~50% of these creditors are dealers tied to sales made to state governments. Due to payment delays from state governments, these creditors remain outstanding on the company's books.

Increasing competition from private sector and state corporations
The seed industry in India is a mix of large, medium, and small seed companies in the public and private sectors. The public sector is represented by NSC and the state seed corporations. Typically, private sector companies specialise in high-value-low-volume seeds, while NSC, and other state seed corporations, provide low-value-high-volume seeds to farmers. With a growing preference towards hybrid seeds, the role of the private sector in the industry has been growing in recent years. NSC also faces competition from state seed corporations for the production of certified seeds, as some state governments prefer to procure seeds from their own corporations. It is to be noted that state corporations also receive subsidies from governments similar to NSC, while the private players do not.

Agro-climatic risks
Similar to agriculture-based sector, the seed industry is also seasonal and depends on agroclimatic conditions. Adverse agro-climatic conditions such as drought or heavy rainfall, or pest, weed or disease outbreak can hamper crop cultivation, leading to lower demand for seeds. NSC's pan-India presence limits these risks to an extent.

Liquidity: Strong
The company had generated cash accruals of ~₹90.94 crore in FY24 (PY: 65.76 crore) and is estimated to be in the range of ₹95-100 crore in the medium term against no long-term loan obligations for the company currently. The company had cash and bank balance of ₹201.34 crore as on March 31, 2024 (FY23: ₹568.40 crore, FY22: 58.11 crore, FY21: ₹102.65 crore), which constitutes of FD balance of ₹133.94 crore and earmarked balance of ₹68.93 crore against Animal husbandry vaccine project where NSC participated and got work as facilitator between the ministry and supplier of vaccines for animals, unspent CSR and other schemes.
The company has no debt repayments considering nil term loans and bank balance as on November 30, 2024, stood at ₹60.37 crore.

The company has an average CC utilisation of 39% over the last 12 months ending November 2024. It had current ratio of 1.96x as on March 31, 2024, and unleveraged balance sheet which provides considerable capability to raise additional debt if required without adversely impacting its credit profile.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]
[Factoring Linkages with Government Support]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food and other products	Other agricultural products

NSC is a Schedule 'B' – Miniratna Category-I company wholly owned by GoI under the administrative control of the Department of Agriculture Cooperation & Farmer's Welfare, Ministry of Agriculture and Farmers Welfare. NSC, established in 1963, is engaged in the production, processing, marketing, testing, storage, and distribution of seeds (breeder, foundation, and certified). Effective April 01, 2014, the State Farms Corporation of India Limited (SFCI), which was another GoI entity undertaking similar business activities, was merged with NSC. As on date, NSC produces ~627 varieties across 80+ crops consisting of cereals, pulses, oilseeds, fibre, fodder, and vegetables.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,078.23	1,143.27	472.90
PBILDT	39.85	64.38	28.17
PAT	53.30	73.64	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	12.87	47.72	NA

A: Audited, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	75.00	CARE AA; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	50.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	75.00	CARE AA; Stable	1)CARE AA; Negative (02-Apr-24)	-	1)CARE AA; Negative (03-Jan-23)	1)CARE AA; Stable (12-Oct-21)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	50.00	CARE AA; Stable / CARE A1+	1)CARE AA; Negative / CARE A1+ (02-Apr-24)	-	1)CARE AA; Negative / CARE A1+ (03-Jan-23)	1)CARE AA; Stable / CARE A1+ (12-Oct-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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