

Upsurge Seeds Of Agriculture Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	66.31	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Upsurge Seeds Of Agriculture Limited (USAL) derives strength from its healthy profitability, moderate capital structure, debt coverage indicators, and adequate liquidity. The rating derives strength from experienced promoters, and its established distribution network spanning all major crop-growing regions in India. The rating also takes cognisance of a diversified product portfolio led by major contributions from groundnut seeds.

However, the rating remains constrained by USAL's moderate scale of operations, elongated operating cycle, geography-wise and product-wise concentrated revenue, dependence on agro-climatic variations, and profitability susceptible to volatile raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations beyond ₹200 crore, while maintaining profit before interest, lease rentals, depreciation and tax (PBILDT) margin beyond 10% on a sustained basis.
- Improvement in operating cycle to below 150 days driven by rationalisation of inventory.

Negative factors

- Decline in scale of operations and profitability impacting coverage metrics.
- Elongation in working capital cycle putting pressure on liquidity.

Analytical approach: Standalone

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 key rating drivers:

Key strengths

Experienced promoters

Rajkot, Gujarat based USAL is promoted by Arvind Kakadia, who has over two decades of experience in the seeds processing and marketing industry. He plays a key role in shaping the strategic decisions of the company, and is supported by his brother, Viken Kakadia, also a director of USAL, having over 20 years of industry experience. The management team is further strengthened by a group of experienced professionals.

The promoters are also associated with group companies, including Bombay Super Hybrid Seeds Limited (rated 'CARE BBB; Stable/ CARE A3+') and American Genetics Seeds Limited, both of which are engaged in similar business activities.

Healthy profitability

USAL's profitability remained healthy marked by PBILDT margin of 10.14% in FY24 (FY23: 10.03%), due to increased sales realisation of groundnut seeds in FY24. USAL reported stable profit after tax (PAT) margin of 5.45% in FY24 against 5.74% in FY23. In H1FY25, the company reported PBILDT margin of 11.36% and PAT margin of 4.74% and expected to remain in similar range in the projected period.

Moderate capital structure and debt coverage ratio

USAL's capital structure remained moderate marked by overall gearing of 1.04x as on March 31, 2024 (PY-end: 1.26x). Total outside liabilities to tangible net worth (TOL/TNW) ratio also remained moderate at 1.30x as on March 31, 2024, (1.64x as on March 31, 2023), supported by a moderate net worth base of ₹45.93 crore at the end of FY24 (₹38.76 crore at FY23 end). The company's debt coverage indicators also remained moderate marked by interest coverage of 3.30x in FY24 (3.97x in FY23) and total debt to gross cash accruals (TD/GCA) of 5.29x as on March 31, 2024 (8.41x as on March 31, 2023).

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

Established dealer distributor/ farmer network with diversified customer profile

USAL has a strong network of over 500 distributors across India, with presence in Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, and West Bengal among others. The distributors further sell to their retail network of farmers. The company has fairly diversified customer base as reflected by its share from its top five customers of 23% in FY24 (29% in FY23).

Key weaknesses

Moderate though growing scale of operations

USAL's total operating income (TOI) remained moderate at ₹133 crore in FY24 against ₹82.97 Crore in FY23. The revenue increased considering improved sales realisation (~7%) and increased sales volume (~55%) of groundnuts which consist of 62% of TOI in FY24 (FY23: 60%).

In H1FY25, the company has registered revenue of ₹50.77 crore and expects to register revenue of ₹135 crore in FY25.

Elongated operating cycle

USAL's operating cycle remained elongated at 222 days as on March 31, 2024 (213 days as on March 31, 2023) due to the working capital-intensive seed processing business, which requires maintaining large inventories. The average inventory holding days remain on the higher side at 230 days in FY24 (242 days in FY23), as the company requires to maintain huge inventory in Q4 of the financial year to sell them in beginning of Kharif season (June to October) and also to mitigate the risk arising from unexpected unseasonal vagaries of monsoons.

Geographical and product revenue concentration

USAL has presence in multiple regions in the country. However, revenue is concentrated in Gujarat contributing ~85% of total sales in FY24 (88% in FY23).

Though product profile of the company remained diversified, USAL derives major proportion of its revenues from groundnut seed, 62% in FY24 (60% in FY23). However, the company has strong presence in other segments such as vegetable seeds and field crops, which include gram seeds, cumin seeds, sesame seeds, and wheat seeds among others.

Exposure to agro climatic risk and stiff competition from established players

The industry heavily depends on agricultural cycles, which are influenced by unpredictable factors such as weather conditions, pest outbreaks, and diseases. It highly depends on monsoon pattern. In India, the hybrid seed market is fragmented, with top five companies occupying ~28%. It has a considerable presence of MNC's lead by Monsanto, DuPont, Syngenta, and Nunhems India, among others, who have strong distribution network and carryout continuous R&D. The market is dominated by large domestic companies (Nuziveedu Seeds Limited [rated, 'CARE A+; Stable'], Rasi seeds, and Kaveri seeds, among others) with large resources, strong distribution networks, and R&D facilities.

Liquidity: Adequate

USAL's liquidity remained adequate marked by sufficient GCA against debt repayment obligation, positive cashflow from operations in FY24, and moderate working capital utilisation.

USAL has sufficient GCA of ₹9.06 crore in FY24 (PY: ₹5.80 crore) against debt repayment obligation of ₹2-3 crore in the projected period. The average working capital utilisation of company remained moderate at 50- 60% and maximum utilisation remained over 90% in the peak season in past 12 months ended February 2025. USAL reported positive cash flow of ₹7.25 crore in FY24 (negative ₹42.89 crore in FY23), considering better profitability and working capital management. The company has free cash and bank balance of ₹0.13 crore as of FY24-end (₹6.11 crore as of FY23-end).

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](#)

About the company and industry

Industry classification

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

USAL was established in 2017 as a Private Limited company. The company's constitution was changed from 'private Limited' to 'public Limited' and listed on NSE in 2019. The company is promoted and managed by Arvind Kakadia and Viken Kakadia. USAL processes and markets hybrid seeds of varieties of crops such as groundnut, coriander, cumin, rajka, gram, wheat, sesame, vegetables seeds, and other agro seeds. The company has established network of dealers and distributors of over 500 across regions of the country, including Gujarat, Maharashtra, Rajasthan, West Bengal, Madhya Pradesh, and Bangalore among others with major sales to Gujarat.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	82.97	133.00	50.77
PBILDT	8.32	13.48	5.77
PAT	4.76	7.25	2.41
Overall gearing (times)	1.26	1.04	0.20
Interest coverage (times)	3.97	3.30	2.50

A: Audited Prov.: Provisional; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	57.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31-08-2030	9.31	CARE BBB-; Stable

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	57.00	CARE BBB-; Stable				
2	Fund-based - LT-Term Loan	LT	9.31	CARE BBB-; Stable				

LT: Long 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-Term Loan	Simple

Annexure-5: Lender details

To view the 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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