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CARE ASSIGNS 'CARE B+' RATING TO THE BANK FACILITIES OF MANGALA SEEDS

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	8.0	CARE B+ (Single B Plus)	Assigned
Total	8.0 (Rupees eight crore only)		

Rating Rationale

The rating assigned to the bank facilities of Mangala Seeds (MS) is constrained by relatively small scale of operations coupled with low profitability, leveraged capital structure and weak debt coverage indicators, working capital intensive nature of operations due to elongated operating cycle, competition from other established players and MNCs in seed business and constitution of the entity as a partnership firm. However, the rating is underpinned by the established track record and experience of the partners for about three decades in seed business and strong marketing network within Warangal.

The ability of the firm to improve its scale of operations and profitability margins, capital structure and efficiently manage its working capital requirements are the key rating sensitivities.

Background

MS was started as Hindu Undivided Family (HUF) on October 04, 1999, by Mr Madishetty Ashok. In March 2007, Mr Madishetty retired from HUF and established Mangala Seeds as a partnership firm on April 01, 2007 with Mr Gourishetty Nagaraju as second partner. The firm is engaged in the production, procurement, processing, marketing and distribution of Paddy seeds in Warangal, Telangana. The processing unit of the firm is located at Madikonda, Warangal.

MS purchases the breeder seeds (initial level or raw seeds) of paddy from the state authorities and Agriculture Universities. These seeds are sold to farmers for up-gradation to foundation seeds. Foundation seeds are then repurchased back from farmers for further germination and for producing final seeds as per the specifications of State Certification Agency (for agriculture seed). Post certification, these seeds are sold commercially in packed form.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY15 (refers to the period April 1 to March 31), MS reported a PAT of Rs.0.12 crore on a total operating income of Rs.25.80 crore as against PAT of Rs.0.11 crore on a total operating income of Rs.24.55 crore in FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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