

Rohit Agro Seeds Sales Corporation

November 17, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	4.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	5.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	9.50 (Rs. Nine Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Rohit Agro Seeds Sales Corporation (RASSC) to monitor the rating(s) vide e-mail communications/letters dated July 31, August 03, August 05, August 07, August 14, August 31, September 02, September 04, September 08, September 16, September 30, October 01, October 06, 2020, October 08, October 14, October 30, November 02, November 04, November 06, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the 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 rating on RASSC's bank facilities will now be denoted as **CARE B; Stable and CARE A4; 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 rating(s).

The ratings have been revised on account of non-receipt of requisite information. The ratings continue to remain constrained on account of modest scale of operation with thin profitability margins, moderate capital structure with weak debt coverage indicators and stretched liquidity position. The rating is further constrained on account of seasonality associated with agro commodities and presence in highly fragmented and government regulated industry and constitution as a proprietorship concern.

The ratings, however, favorably take into account of experienced management with long track record of operations.

Detailed description of the key rating drivers

At the time of last rating on October 24, 2019 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Modest scale of operations with thin profitability margins

Total Operating Income (TOI) of the firm has witnessed fluctuating trend from last three financial years ended FY19 with scale of operation stood modest at Rs.26.99 crore as on March 31, 2019. TOI of the firm has increased around 32.23% over FY18 on account of higher order received from customers and added new customers in domestic market. The profitability margin of the firm has declined and stood thin with PBILDT margin and PAT margin of 3.46% and 0.82% respectively during FY19 as against 5.56% and 2.69% during FY18. PBILDT margin declined by 287 bps due to higher cost of material consumed. Further, with decline in PBILDT margin PAT margin has also declined by 19 bps although lower in quantum as PBILDT declines on account of lower interest expenses.

Moderately leveraged capital structure with weak debt coverage indicators

The capital structure of the firm stood moderately leveraged marked by overall gearing of 3.13 times as on March 31, 2019. Further, debt coverage of the firm stood weak marked by total debt to GCA of 31.08 times as on March 31, 2019, improved from 34.37 times as on March 31, 2018 due to marginally increase in GCA level as well as marginally decline total debt level. Interest coverage ratio of the company stood moderate at 1.55 times as on March 31, 2019, improved from 1.31 times as on March 31, 2018 due to proportionately higher decline in interest expenses as compare to decline in PBILDT margin.

Seasonality associated with agro commodities and presence in highly fragmented and government regulated industry and constitution as a proprietorship concern

As the firm is engaged in the processing 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 RASSC is exposed to vulnerability in prices of agriculture commodities. 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. Furthermore, the industry is characterized by high degree of government control both in procurement and sales for agriculture commodities. Government of India (GoI) decides the Minimum Support Price (MSP) payable to farmers. Constitution as a proprietorship concern with moderate net worth base restricts its overall financial flexibility in terms of limited access to external fund for any future expansion plans. Furthermore, there is an inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor.

Key Rating Strengths

Experienced Management with long track record of operations

Mr Rohit Jain, proprietor, is MBA (Marketing) by qualification and has around 18 years of experience in same line of industry. The long standing experience and in-depth knowledge in agro commodity industry of Mr Rohit Jain has benefited the firm and has able to establish customer base in the market. Further, the proprietor is assisted by second tier management who has vast experience in their respective fields.

Liquidity: Stretched

It has utilized 50-55% of its working capital bank borrowings during past 12 months ending September 30, 2019. The working capital cycle of the company stood elongated at 147 days in FY19, although operating cycle has improved from 203 days in FY18 due to decline in inventory holding. During FY19, the current ratio stood moderate at 1.25 times and quick ratio stood below unity at 0.35 times. Further it has cash and bank balance of Rs.2.67 crore as on March 31, 2019. The company has projected cash accrual of Rs.0.39 crore in FY20 as against total debt repayment of Rs.0.04 crore. Client has not availed any moratorium during lockdown on account of Covid-19.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Firm

Ujjain (Madhya Pradesh) based Rohit Agro Seeds Sales Corporation (RASSC) was formed in 2004 by Mr Rohit Jain as a proprietorship concern. RASSC is engaged in the business of production and processing of seeds i.e. soyabean, wheat and gram seeds. The plant of the firm is located at Ujjain with an installed capacity of 90 Tonnes per day for processing of seeds. RASSC procures raw material from farmers in Madhya Pradesh and sell its products in domestic market in Maharashtra, Gujarat, Rajasthan, Madhya Pradesh and Uttar Pradesh.

Brief Financials (Rs. crore)	FY18(A)	FY19(P)
Total operating Income	20.41	26.99
PBILDT	1.29	0.93
PAT	0.20	0.22
Overall gearing (times)	3.81	3.13
Interest coverage (times)	1.31	1.55

A: Audited, P: Provisional

Status of non-cooperation with previous CRA:

Brickwork has placed its ratings under non-cooperation due to non-submission of requisite information by the firm vide its press release dated October 23, 2020.

Any other information: Not Applicable

Rating History for last three years: Please refer 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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	4.50	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits	-	-	-	5.00	CARE A4; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	4.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (24-Oct-19)	-	-
2.	Fund-based - ST-Working Capital Limits	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (24-Oct-19)	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this company/firm

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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