

December 18, 2023

Godrej Seeds and Genetics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Proposed Non-Convertible Debentures [^]	2,800.00	2,800.00	[ICRA]AA (Stable); reaffirmed
Short-term – Commercial Paper ^{**}	1,200.00	1,200.00	[ICRA]A1+; reaffirmed
Total	4,000.00	4,000.00	

*Instrument details are provided in Annexure-I; [^]Interchangeable with proposed long-term bank facilities; ^{**}Interchangeable with proposed short-term bank facilities

Rationale

The ratings draw comfort from Godrej Seeds and Genetics Limited's (GSGL/the company) position as one of the holding companies (hold co) of the Godrej Group (Group) and its sizeable market value of investment of ~Rs. 28,000 crore in Godrej Consumer Products Limited (GCPL; rated [ICRA]AAA (Stable)/[ICRA]A1+), as on November 30, 2023, wherein it is the largest shareholder. GSGL currently has no debt on its book.

Going forward, the company may raise debt largely to invest in listed entities of the Godrej Group or to provide support to other entities of the Group. However, the timelines and quantum of these investments remain uncertain currently. While these investments will aid in diversifying its investment portfolio, further supported by the healthy credit profile of potential investee companies, the debt funding of the investments is likely to moderate GSGL's coverage metrics. However, its strong financial flexibility from the likely significant market value of its investments over its total debt provides comfort.

Apart from being a hold co, GSGL's operations include trading of hybrid seeds with margins at minimal mark-up to cost. As a result, the margins/accruals are largely derived from dividend income from its investment in GCPL, resulting in volatility in earnings based on dividend received.

Key rating drivers and their description

Credit strengths

Position as one of the holding companies of the Godrej Group – GSGL is one of the holding companies in the Godrej Group, with investments in GCPL currently. Going forward, the company may invest in other listed entities of the Group. The market value of its investments in GCPL stood at ~Rs. 28,000 crore, as on November 30, 2023, which provides GSGL with strong financial flexibility.

Healthy credit profile of large, listed companies in the Godrej Group; presence across diverse sectors – GSGL currently holds 27.4% stake in GCPL with the market value of its investment standing at ~Rs. 28,000 crore, as of November 30, 2023. Further, the company may invest in other listed entities of the Group, going forward. The larger listed entities in the Godrej Group have healthy financial profiles with low debt levels. Any investments by GSGL in its Group entities is expected to provide insulation to an extent against industry-related systemic risks as its potential investee companies are from diverse sectors.

Relatively low debt levels expected compared to likely market value of potential investments – GSGL currently has nil debt and holds 27.4% stake in GCPL with a market value of ~Rs. 28,000 crore, as on November 30, 2023. It may invest primarily in listed entities of the Godrej Group; although the timelines and quantum of the investments remain uncertain currently.

Credit challenges

Coverage indicators to moderate with any increase in debt; but sizeable market value of investments would mitigate risk to an extent – The company currently has nil debt. In the event of GSGL investing in or providing support to a Group entity, ICRA anticipates the ticket size to be sufficiently large. As the company would want to raise debt for investing in its Group entities, GSGL’s coverage indicators would also moderate in such a scenario. However, ICRA draws comfort from the sizeable market value of GSGL’s listed investments.

Volatility in margins due to dependence on dividend income – The company’s operations comprise investments in Group entities like GCPL, and trading of hybrid seeds. The company’s trading business margins are at minimal mark-up to cost. Therefore, its earnings are largely dependent on dividend income from GCPL at present, leading to volatility. However, proposed diversification of investments would mitigate volatility in dividend income and margins, going forward, to an extent.

Liquidity position: Adequate

The company’s liquidity position is adequate, with GSGL having nil debt and free cash and bank balance of more than Rs. 400 crore, as on October 31, 2023. Further, it has sizeable market value buffer on its listed investments, lending strong financial flexibility. Going forward, the company may invest or provide support to Group companies, but the timelines and quantum of investments remain uncertain at present. Being a holding company of the Godrej Group, GSGL can access capital markets at short notice and enjoys strong relationships with the banks. These factors are cumulatively expected to support the company’s liquidity position over the medium term.

Rating sensitivities

Positive factors – Significant improvement in the credit profile of the investee companies, leading to an improvement in its credit profile, would be a positive rating trigger.

Negative factors – Downward pressure on the rating could arise if there is any significant weakening in the credit profile of GSGL’s investee companies, leading to a significant decline in the market value of its investments, limiting its financial flexibility. Further, higher levels of debt than estimated, leading to a deterioration in leverage metrics on a sustained basis, would also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Investment Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Godrej Seeds and Genetics Limited is one of the holding companies of the larger Godrej Group. Apart from being a holding company, it is involved in the trading of hybrid seeds such as corn and mustard, among others. Currently, it holds 27.4% stake in GCPL and is GCPL’s largest shareholder. GSGL is 100% held by the Godrej family and Godrej Charitable Trust.

Key financial indicators (audited)

GSSL Standalone	FY2022	FY2023
Operating income	341.8	468.9
PAT	3.6	26.6
OPBDIT/OI	-5.5%	-0.6%
PAT/OI	1.0%	5.7%
Total outside liabilities/Tangible net worth (times)	0.0	0.0
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	-	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
								Dec 18, 2023
1 Proposed NCD [^]	Long-term	2,800.00	-	[ICRA]AA(Stable)	[ICRA]AA(Stable)	[ICRA]AA(Stable)	-	
2 Commercial Paper#	Short-term	1,200.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	

[^]interchangeable with proposed long-term bank facilities; #interchangeable with proposed short-term bank facilities

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed NCD	Very Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Proposed NCD [^]	-	-	-	2,800.00	[ICRA]AA(Stable)
Yet to be Placed	Commercial Paper [#]	-	-	-	1,200.00	[ICRA]A1+

Source: Company; [^]interchangeable with proposed long-term bank facilities; [#]interchangeable with proposed short-term bank facilities

Annexure II: List of entities considered for consolidated analysis – Not applicable

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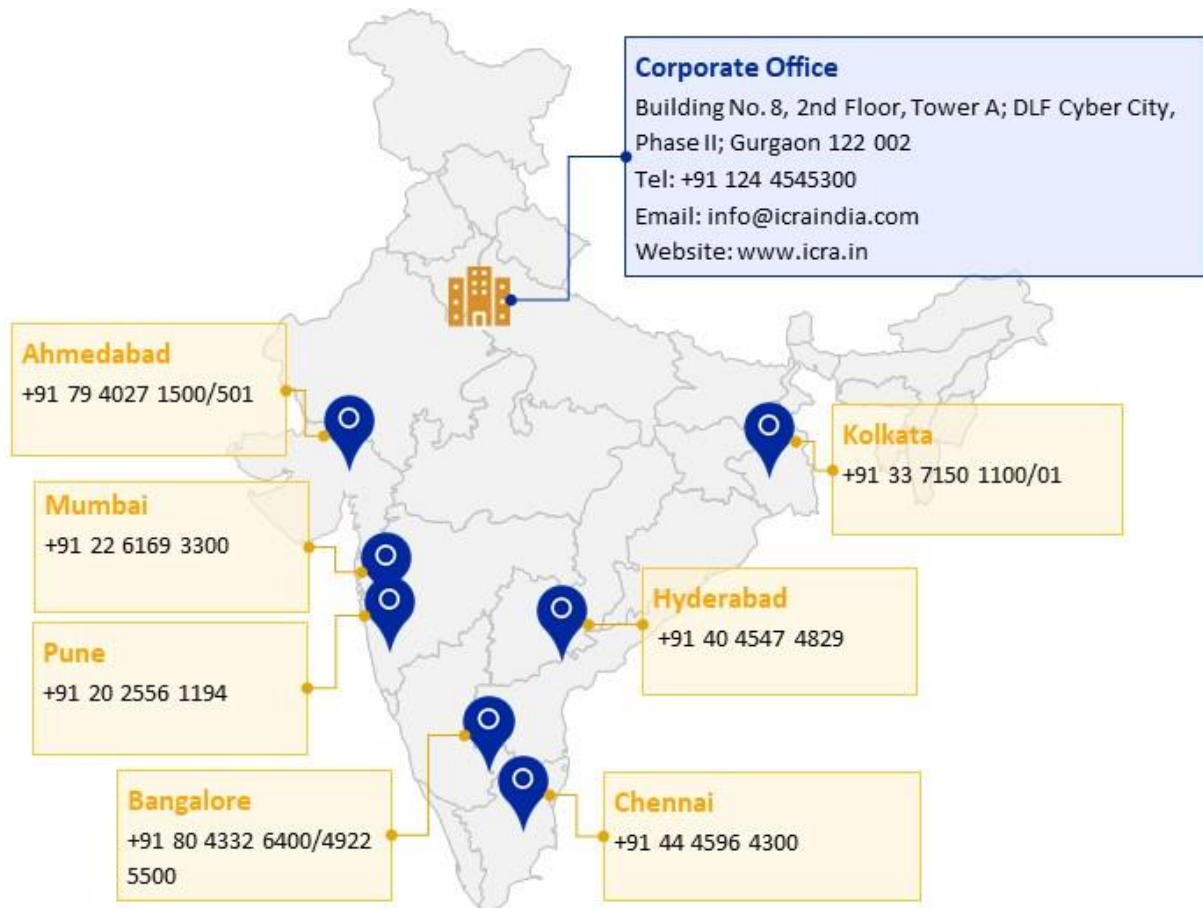
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