

December 30, 2024

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/NBFC facilities; ^{**}Interchangeable with proposed short-term bank/NBFC facilities; Source: Company and ICRA Research

Rationale

The ratings reaffirmation draws comfort from Godrej Seeds and Genetics Limited's (GSGL) position as one of the holding companies (hold co) of the Godrej Group (Group) and its sizeable market value of investment of ~Rs. 32,276 crore in Godrej Consumer Products Limited (GCPL, rated [ICRA]AAA (Stable)/[ICRA]A1+) and Godrej Industries Limited (GIL, rated [ICRA] AA+ (Stable)/[ICRA]A1+) as on December 09, 2024. Further, GSGL is the largest shareholder in GCPL, owning close to a 27.7% stake.

The company has also raised debt largely to invest in listed entities of the Godrej (now GILAC) Group. It has acquired an additional 0.3% stake in GCPL, and it has plans to increase its stake in GIL to 1.75% from its current stake of 0.93%. Over the next two to three years, the company plans to invest incremental amounts in listed entities of the Godrej Group by raising debt. However, the timeline and quantum of these investments remain uncertain at present. While these investments will drive the overall value growth for GSGL through dividend income (supported by healthy credit profile of the potential investee companies), the debt funding of the investments is likely to moderate the coverage metrics for GSGL. However, its strong financial flexibility arising from the likely significant market value of investments over its total debt provides comfort.

Apart from being a holding company, GSGL's operations include trading of hybrid seeds with margins at minimal markup 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 (now GILAC) Group – GSGL is one of the holding companies in the Godrej Industries Limited and Associate Company (GILAC) Group, with investments in GCPL and GIL at present. Going forward, the company may invest in other listed entities of the Godrej Group. The combined market value of its investments in GCPL and GIL stood at ~Rs. 32,276 crore as on December 09, 2024, which provides GSGL with strong financial flexibility.

Healthy credit profile of large, listed companies in the Godrej Group – GSGL currently holds a 27.7% stake in GCPL with market value of its investment at ~Rs. 31,945 crore and 0.93% in GIL with market value of investment at ~Rs. 331 crore as of December 09, 2024. Further, the company may invest in other listed entities of the group, going forward. The investee companies have healthy financial profiles with relatively lower debt levels.

Relatively low debt levels compared to likely market value of potential investments – GSGL currently has a debt of ~Rs. 900 crore and has a 27.7% stake in GCPL with a market value of ~Rs. 31,945 crore and 0.93% in GIL with market value of investment at ~Rs. 331 crore as of December 09, 2024. The market value of listed investments to total debt as of December 09, 2024

stands at around ~35 times. Further, ICRA notes that its relatively lower debt levels against the market value of investments provide strong financial flexibility to GSGL.

Credit challenges

Coverage indicators to moderate with increase in debt; remains exposed to refinancing risks – The company has a debt of ~Rs. 900 crore at present. However, it remains exposed to refinancing risks on account of the short-term nature of borrowings currently on its books. GSGL’s coverage indicators are expected to moderate further if its debt increases. However, ICRA draws comfort from the sizeable market value of its listed investments vis-à-vis its debt outstanding, which lends exceptional financial flexibility.

Volatility in margins due to dependence on dividend income – The company’s operations comprise investments in Group entities like GCPL and GIL, and trading in hybrid seeds. The company’s trading business margins are at the minimal mark up to cost. Therefore, its earnings largely depend on dividend income from GCPL, leading to volatility in margins.

Liquidity position: Adequate

The company’s liquidity position is adequate, with GSGL having debt of ~Rs. 900 crore and free cash and bank balance of around Rs. 1,000 crore as on November 30, 2024. Further, it has sizeable market value buffer on its listed investments, lending strong financial flexibility. The major portion of the current loans outstanding in GSGL’s books needs to be repaid in H1 FY2026. Going forward, the company may invest primarily in listed entities of the Godrej Group, though the timelines and quantum of the 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 diversification of company's investment portfolio across multiple sectors or significant improvement in the credit profile of the investee companies leading to an improvement in GSGL's credit profile, would be a positive trigger.

Negative factors – Downward pressure on the rating could arise if there is any significant weakening in the credit profile of GSGL’s major investee companies and/ or a significant decline in the market value of GSGL’s investments, leading to market value of its unencumbered equity shares in the listed companies going below 4.0 times its outstanding debt, on a sustained basis, limiting its financial flexibility.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology 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 27.7% stake

in GCPL and is GCPL's largest shareholder. It also owns a 0.93% stake in GIL. GSGL is 100% held by the Godrej family and Godrej Charitable Trust.

Key financial indicators (audited)

| GSGL Standalone | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 468.9 | 694.0 |
| PAT | 26.6 | 139.5 |
| OPBDIT/OI | -0.6% | 20.2% |
| PAT/OI | 5.7% | 20.1% |
| Total outside liabilities/Tangible net worth (times) | 0.0 | 0.0 |
| Total debt/OPBDIT (times) | 0.0 | 0.0 |
| Interest coverage (times) | - | 3480.1 |

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Amount rated (Rs. crore) | Current rating (FY2025) | | Chronology of rating history for the past 3 years | | | |
|-----------------------------|------------|--------------------------|-------------------------|------------------|---|-------------------------|-------------------------|------------------|
| | | | Date & rating in FY2025 | | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | |
| | | | Dec 30, 2024 | May 10, 2024 | Dec 18, 2023 | Dec 05, 2022 | Jan 06, 2022 | |
| 1 Proposed NCD [^] | Long-term | 2,800.00 | [ICRA]AA(Stable) | [ICRA]AA(Stable) | [ICRA]AA(Stable) | [ICRA]AA(Stable) | [ICRA]AA(Stable) | [ICRA]AA(Stable) |
| 2 Commercial Paper# | Short-term | 1,200.00 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |

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

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term fund-based – Term Loan | Simple |
| Long-term/ Short -term – Fund-based working capital | 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/NBFC facilities; #interchangeable with proposed short-term bank/NBFC facilities

Annexure II: List of entities considered for consolidated analysis - Not Applicable

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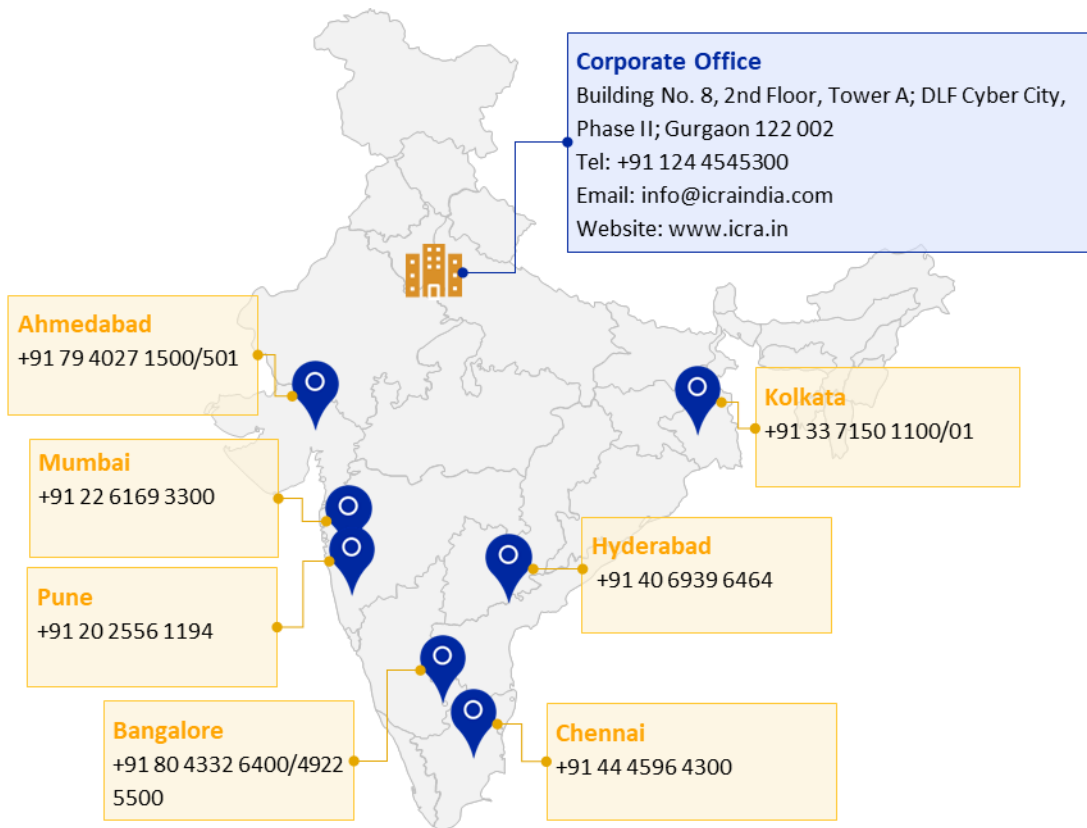
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