April 05, 2017

Bombay Super Hybrid Seeds Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Cash Credit	8.00 (enhanced from Rs. 5.50 crore)	[ICRA]B+ (Stable) reaffirmed
Fund-based Term Loan	2.21 (reduced from 2.50)	[ICRA]B+ (Stable) reaffirmed
Fund-based EPC/PCFC/FBD*	(0.50)	[ICRA]A4 reaffirmed
Unallocated Limits	0.29 (reduced from 1.50)	[ICRA]B+ (Stable)/A4 reaffirmed
Total	**10.50**	

*Instrument details are provided in Annexure-1, Sublimit within Cash Credit

Rating Action

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) on the Rs. 8.00-crore (enhanced from Rs. 5.50 crore) cash credit facility, Rs. 2.21-crore (reduced from Rs. 2.50-crore) term loan and the short-term rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 0.50-crore EPC/PCFC/FBD facility (sublimit within cash credit) of Bombay Super Hybrid Seeds Private Limited (BSHSPL). ICRA has also reaffirmed [ICRA]B+ and [ICRA]A4 rating on the Rs. 0.29-crore (reduced from Rs. 1.50 crore) unallocated limits of BSHSPL. The outlook assigned on the long-term rating is ‘Stable’.

Rationale

The rating continues to be constrained by BSHSPL’s thin profitability due to its limited value-added activities and high dependence on groundnut, which accounted for 60-70% of the total sales. The rating also takes into account the moderate financial profile, characterised by stretched capital structure owing to debt-funded capex (gearing levels of 2.03 times as on March 31, 2016) and moderate coverage indicators, as evident from the interest coverage (OPBDITA/I&F of 1.95 times and NCA/total debt of 6.69%) in FY2016. ICRA also notes the vulnerability of production and seed sales to agro-climatic conditions and the highly fragmented and unorganised industry structure, resulting in intense competition.

However, the ratings favourably factor in the long experience of BSHSPL’s promoters in the seed industry and the increase in scale of operations, with significant growth of 101.48% in FY2016 revenues. Furthermore, the ratings also draw comfort from the company’s established relationship with dealers and distributors across India.

Going forward, the company’s ability to sustain the increase in scale of operations, improve the profit margins and the capital structure and maintain liquidity position would be the key rating sensitivity from the credit perspective.

Key rating drivers

Credit Strengths
- Two-decade long experience of the promoters in the seeds industry
- Well established relationships with distributors across India
- Significant increase in scale of operations, with revenues increasing from Rs. 31.32 crore in FY2015 to Rs. 63.11 crore in FY2016 owing to increase in market presence

Credit Weakness
- High dependence on groundnut, which accounted for 60%-70% of the total sales in FY2016
- Financial profile characterised by thin profitability, high gearing and modest converge indicators
- Seasonal nature of business and presence in a highly competitive and fragmented market, with production and sales exposed to agro climatic conditions

Description of key rating drivers
BSHSPL's six products namely groundnut, onion, coriander, cumin, rajka and gram accounted for 90.18% of the total sales. Furthermore, the company incurred debt-funded capex in FY2016 and in the current fiscal for enhancement of processing capacity from 20 MT per day to 70 MT per day. The capex resulted in stretched capital structure as evident from the high gearing (2.03 times as on March 31, 2016). However, equity infusion to the tune of Rs. 1.36 crore in FY2016 provided comfort to an extent.
Furthermore, in the current fiscal, the company's operating income increased to Rs. 103.4 crore by end of February 2017 due to increase in processing capacity as well as expansion of market presence owing to increase in network of dealers (around 300 dealers across pan India) enabling the company to secure repeat orders.

Analytical approach:
For arriving at the ratings, ICRA has taken into account the debt servicing track record of BSHSPL, its business risk profile, financial risk drivers and management profile.

Links to applicable criteria
Corporate Credit Rating –A Note on Methodology
http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf

About the company:
Established in 2014, Bombay Super Hybrid Seeds Private Limited (BSHSPL), was earlier established in 1990 as a partnership firm under the name of "Patel Jadavjibhai Devrajbhai" and was subsequently converted to Bombay Super Hybrid Seeds Private Limited. BSHSPL processes and markets seeds of various varieties of crops such as groundnut, onion, coriander, cumin, rajka, gram, wheat, seaseme, etc under the brand "Bombay Super Seed". The company is owned and managed by Mr. Arvind Kakadia and Mr. Kirit Kakadia.

BSHSPL has two processing plants in Rajkot, Gujarat that have a combined seed processing capacity of 70 metric tonnes per day. The additional processing capacity of 50 metric tonnes per day commenced operations on September 2016.

On March 31, 2016, the company reported an operating income of Rs. 63.11 crore with a net profit of Rs. 0.26 crore against an operating income of Rs. 31.32 crore with a net profit of Rs.0.19 crore as on March 31, 2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating (FY2017)			Chronology of Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				April 2017	January 2016		
1	Cash Credit	Long Term	8.00	[ICRA]B+ (Stable)	[ICRA]B+	N.A.	N.A.
2	Term Loan	Long Term	2.21	[ICRA]B+ (Stable)	N.A.	N.A.	N.A.
4	EPC/OCFC/ FBD*	Short Term	(0.50)	[ICRA]A4	N.A.	N.A.	N.A.
5	Unallocated Limits	Long Term/Short Term	0.29	[ICRA]B+ (Stable)/ [ICRA]A4	[ICRA]B+/ [ICRA]A4	N.A.	N.A.
6.	Cash Credit (Proposed)	Long Term	-	N.A.	[ICRA]B+	N.A.	N.A.
7	Term Loan (Proposed)	Long Term	-	N.A.	[ICRA]B+	N.A.	N.A.

*Sublimit within Cash Credit

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	8.00	[ICRA]B+ (Stable)
Term Loan	May 2016	-	April 2023	2.21	[ICRA]B+ (Stable)
EPC/PCFC/FBD*	-	-	-	(0.50)	[ICRA]A4
Unallocated Limits				0.29	[ICRA]B+ (Stable)/[ICRA]A4

*Sublimit within Cash Credit
Source: Bombay Super Hybrid Seeds Private Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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