



Rating Rationale

Naini Seed Products

11 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 15 Crores of Naini Seed Products.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	15	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Total	15	INR Fifteen Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18 and projected financials for FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of partners, advantage of strategic location, moderate financial risk profile and above average liquidity position. The rating, however, is constrained by small scale of operations, modest interest coverage and net worth and intense competition in the industry.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** The firm is located in Ramnagar cluster and thus has a comparative advantage in terms of skilled labor, logistics, production knowledge and vendors making the company more efficient and cost effective.
- **Management Experience:** The partners of the firm are well educated and experienced in the industry. Mr. Anil Kumar Agarwal, Mr. Ravi Kumar, Mr. Vinay Kumar and Mr. Vishnu Bhagwan Agarwal are in the industry from past 35 to 60 years respectively. Their experience

has helped them in maintaining long term relationship with their client.

- **Moderate financial risk profile:** The financial profile of the firm looks satisfactory with gearing ratio of 0.94 times in FY18. Despite the stagnant sales, the Net Profit Margin and Operating Profit Margin has marginally increased to 0.58% and 5.53% respectively in FY18.
- **Above average liquidity position:** The liquidity position is above average with high current ratio of 11.26 times in FY18 due to reduction in CC limit during non peak season (i.e. during the month of Feb and March).

Credit Risks:

- **Small scale of operations:** The scale of operations of the firm remains small with the turnover of Rs. 24.96 Cr. in FY17 as against the turnover of Rs. 25.03 Cr. in FY17.
- **Modest interest coverage and net worth:** The interest coverage ratio stood modest at 1.22 times in FY18. Tangible Net Worth is also modest at Rs. 3.81 Cr. in FY18 which will remain so in the medium term.
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Naini Seed Products** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Naini Seed Products (NSP), a partnership firm established in 1996 in Ramnagar, is engaged in the business of processing and trading of wheat and paddy seeds. Mr. Anil Kumar Agarwal, Mr. Ravi Kumar, Mr. Vinay Kumar and Mr. Vishnu Bhagwan Agarwal are the partners of the firm. The seed processing unit of the firm is located in Ramnagar, Uttarakhand, with a processing capacity of 8 tonnes per hour (TPH).

Company's Financial Performance

The total operating income reduced marginally from Rs. 25.03 Cr. in FY17 to Rs. 24.96 Cr. in FY18. Till Nov 2018, the firm has achieved a sales of Rs. 20 Cr. The OPBDIT and PAT has increased to Rs. 1.38 Cr. and Rs. 0.14 Cr respectively in FY18. Subsequently the Net Profit Margin and Operating Profit Margin has also increased to 0.58% and 5.53% respectively in FY18. The debt protection metrics is considered moderate with ISCR of 1.22 times in FY18. The liquidity position is above average with high current

ratio of 11.26 times in FY18 due to reduction in CC limit during non peak season (i.e. during the month of Feb and March).

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	24.96	25.03
EBITDA	₹ Cr	1.38	1.31
PAT	₹ Cr	0.14	0.13
Tangible Net worth	₹ Cr	3.81	3.70
Total Debt/Tangible Net worth	Times	0.94	0.77
Current Ratio	Times	11.26	36.91

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Jan 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Cash Credit	Long Term	15	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	N/A		
	Total		15	₹ Fifteen Crore Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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