

Rating Rationale

Samyukta Agritech Pvt Ltd

Brickwork Ratings reaffirms the long term rating and assigns the short term rating for the Bank Loan Facilities of Rs 5.20 Crores of Samyukta Agritech Pvt Ltd

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep 2020)	Present
Fund based Cash Credit	0.55	0.80	Long Term	BWR B+ Stable Issuer Not Cooperating	BWR B+ Stable Reaffirmed
Term Loan-1	6.82	3.32	Long Term		
WCDL	-	0.075	Long Term		
WCTL	-	0.89	Long Term		
Fund Based Stand By Line of Credit	-	0.12	Short Term	-	BWR A4 Assigned
Total	7.37	5.20	INR Five Crores and Twenty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings. Term Loans -1,WCDL,WCTL outstanding as on 23 Dec 2020..Complete details of Bank facilities is provided in Annexure-I

Ratings: Long Term Rating Reaffirmed and Short Term Rating Assigned

RATING ACTION / OUTLOOK

The Rating Outlook is Stable because BWR expects that Samyukta Agritech Pvt Ltd or the company's financial 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.

KEY RATING DIVERS:

BWR has essentially relied on Audited financials upto FY 20,,projections upto FY 22, publicly available information and information/clarification provided by company's management



The Rating reaffirmation takes into consideration, experience of promoters, loyal customer base and moderate current ratio..The Ratings are constrained by negative NPM,Low DSCR.,Low Tangible Networth,high gearing,susceptibility to Govt Regulations and seasonal factors fragmented industry,dependance on climate and effect of COVID-19 on the industry as a whole

Description of Key Rating Drivers

Credit Strengths:

- **Experience Of Promoters:** Some of the promoters have experience of over two decades
- **Loyal Customer Base:** Some of the customers have been in relationship for one decade
- **Moderate Current Ratio:** Moderate Current Ratio observed for FY 19(1.60 times) although decreased in FY 20(1.42 times)

Credit Risks:

- **Negative NPM:** The NPM for FY 20 is -0.59%
- **Low DSCR:** Low DSCR observed for FY 19(0.77 times) which has further decreased in FY 20(0.70 times)
- **Low Tangible Networth:** Low Tangible Networth observed for FY 19(Rs 4.84 Crs) which has decreased further in FY 20(Rs 4.79 Crs)
- **High Gearing:** High Gearing observed for FY 19(1.51 times) although decreased in FY 20(1.35 times)
- **Susceptibility to government regulations and seasonal factors:** Profitability is susceptible to government regulations, seasonal factors and fluctuations in input price. The department of fertilizers fixes the maximum retail price for some fertilizers, which limits manufacturers from passing on increase in raw material costs to customers. However, they are partially compensated by government subsidy which can again affect working capital adversely if disbursement is delayed
- **Dependant on Climate:** The Industry is susceptible to vagaries of climate
- **Effect of COVID-19:** The Company's business is correlated with the overall economic activity level of the country. Given the current lockdown, the country's economic activities have come to an almost standstill. But, this is most likely to bring down the growth rate of the Indian economy and affect the Company' business operations due to delay in execution, a possible increase in labour cost due to migrant labourers' exodus to their native places, the possibility of decline in new projects and an increase in raw materials' cost due to supply chain disruptions

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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).The Rating is defined by Standalone financials

RATING SENSITIVITIES

Going forward the ability of company to increase its profitability, revenue, decrease gearing and efficient working capital management shall be key rating sensitivities



Positive: The ratings may be upgraded if profitability, liquidity and overall credit profile show substantial improvement

Negative: The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level

Liquidity Position: Stretched

Moderate Current Ratio observed for FY 19(1.60 times) although decreased in FY 20(1.42 times). The Cash and Cash Equivalents for FY 19 stand at Rs 0.09 Crs and for FY 20 stand at Rs.0.11 Crs. The Net Cash Accruals for FY 19 stand at Rs 0.98 Crs and for FY 20 stand at Rs 0.81 Crs. The Average CC Utilization from 1st Feb 2020 till 30th Nov 2020 is 86.87%

About the Company

Samyukta Agritech Private Limited (SAPL) was incorporated in 2005 at Rayapur, Dharwad. The company manufactures different grades of neem blended granulated fertilisers under the brand name of 'Nandini'. SAPL's product line also includes secondary nutrients to be marketed as 'soil conditioners' under the same brand name. However the plant in Rayapur is no longer operational. A new plant is installed at Gamanagatti which commenced operations from Sep 2016.

Company Financial Performance

The company has reported TOI of Rs 8.41 Crs as per FY 19 Aud and TOI of Rs 8.50 Crs as per FY 20 Audited. The company has reported PAT of Rs 0.01Crs as per FY 19 Aud and for FY 20 Provisionals PAT stands at Rs -0.05 Crs

Key Financial Indicators

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	Rs in Crores	8.50	8.41
EBITDA	Rs in Crores	1.04	1.35
PAT	Rs in Crores	-0.05	0.01
Tangible Net worth	Rs in Crores	4.79	4.84
Total Debt/Tangible Net worth	Times	1.35	1.51
Current Ratio	Times	1.42	1.60

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NA



RATING HISTORY OF LAST THREE YEARS (Including withdrawn/suspended ratings)

S n o	Bank Loan	Current Rating (2020)			Rating History					
					22.09.2020			2019	2018	2017
1	Bank Loan	FB Long Term	5.08	BWR B+ Stable Reaffirmed	FB Long Term	7.37	BWR B+ Stable Reaffirmed Issuer Not Cooperating	-	-	-
2		FB Short Term	0.12	BWR A4 Assigned	-	-	-	-	-	-

RNR on 7 Aug 2018, BWR B+(Stable) Reaffirmed on 29 Aug 2016 for BLR of Rs 7.37 Crs

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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Samyukta Agritech Pvt Ltd
ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1)	Fund based Cash Credit	0.80	-	0.80
2)	Term Loan-1	3.32	-	3.32
3)	Stand By Line Of Credit		0.12	0.12
4)	WCDL	0.075	-	0.075
5)	WCTL	0.89		0.89
TOTAL				5.20

Total Rupees Five Crores and Twenty Lakhs only.

ANNEXURE II
INSTRUMENT (NCD/Bonds/CP) DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NA	NA	NA	NA	NA	NA

ANNEXURE III

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA



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