



Press Release

Ajeet Seeds Private Limited (ASPL)

October 22, 2024

Ratings Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term fund based bank facilities – Cash Credit	60.00	IVR A/ Negative (IVR A with Negative Outlook)	IVR A/ Negative (IVR A with Negative Outlook)	Reaffirmed	Simple
Long term fund based bank facilities – Cash Credit	30.00	IVR A/ Negative (IVR A with Negative Outlook)	-	Assigned	Simple
Long term fund based bank facilities – Term Loan	140.00	IVR A/ Negative (IVR A with Negative Outlook)	IVR A/ Negative (IVR A with Negative Outlook)	Reaffirmed	Simple
Long term fund based bank facilities – Term Loan	108.00	IVR A/ Negative (IVR A with Negative Outlook)	-	Assigned	Simple
Proposed	2.00	IVR A/ Negative (IVR A with Negative Outlook)	-	Assigned	Simple
Total	340.00 (Three Hundred and Forty crore Rupees Only)				

Details of Facilities/Instruments areas in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings on the bank facilities of Ajeet Seeds Private Limited (ASPL). The ratings continue to derive comfort from established market position, strong financial risk profile and strong in-house R&D facility. However, these rating strengths remain constrained by project implementation risk, product and geographic concentration in



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revenue, susceptibility to rainfall and regulatory changes and sustained R&D requirement for maintaining growth and market share.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue with improved operating profitability.
- Sustenance of strong financial risk profile and liquidity.

Downward Factors

- Decline in revenue and/or operating profitability, resulting in lower cash accruals thereby negatively impacting liquidity.
- Significant delay in completion and commencement of the on-going capex project leading to cost and time overrun.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established market position

ASPL is likely to remain one of the top producers of BT cotton seeds in India, supported by an extensive germplasm bank, a wide distribution and marketing network and strong market position in the hybrid cotton seed industry. The industry is dominated by a few large players. ASPL is among the top producers of hybrid cotton in India and has strong presence in Maharashtra and nearby states. Strong research and development (R&D) capability supported by an extensive germplasm bank and wide distribution network support its market position.

Strong financial risk profile

The financial risk profile continues to be strong over the medium term, driven by strong net worth and limited debt levels. The Tangible Net Worth stands healthy at Rs 673.55 crore as on March 31, 2024(Provisional), leading to low gearing of around 0.30x. Debt protection metrics are robust, with an interest coverage at 8.78x, in fiscal 2024.



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Strong in-house R&D facility

ASPL has established in-house R&D capabilities and a dedicated team to ensure the success of its hybrid seed development programmes. The R&D unit in Aurangabad is approved by the Department of Scientific & Industrial Research (DSIR) in 2002. ASPL's strong R&D team has supported the launch of several products in hybrid cotton seeds in the past. It has also started R&D for developing vegetables & fruit seeds in the last few years.

Key Rating Weaknesses

Project Implementation Risk

Ajeet Seeds Private Limited (ASPL) has been constructing medical college and hospital in the name of Chhatrapati Shivaji Maharaj Shaikshanik Sankul medical college and hospital in Aurangabad. **Phase I** is for Setting up of Chhatrapati Shivaji Maharaj Shaikshanik Sankul (CSMSS) Medical College and teaching hospital with an intake capacity of 150 for under graduates and 70 for postgraduates per year along with 330 beds in the hospital **Phase II** is for increasing the capacity of the Teaching Hospital by 420 beds to aggregate 750 beds and completion of the hostels and staff housing buildings within the same premises. Phase I project has achieved 100% physical progress as on date. The billing cycle has started from FY 24 and the 1st batch of medical college will start from April 25. Phase II is still under implementation stage which exposes it to execution risk including time and cost overrun risk.

Product and geographic concentration in revenue, and susceptibility to rainfall and regulatory changes

Cotton seeds (non-food) account for over 62% of ASPL's total sales, which exposes it to risks related to erratic rainfall, technology advances, crop rotation, worm attacks and pricing outlook for competing crops. Moreover, price of BT cotton seeds in India is regulated. Furthermore, there is increasing usage of the banned herbicide-tolerant BT cotton seeds in some pockets, hampering demand. Also, as Maharashtra accounts for majority of the company's revenue, risks related to geographical concentration will persist as seen in fiscal 2024.

Sustained R&D requirement for maintaining growth and market share



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Considering the intense competition in the hybrid seed industry, sustained research and development is necessary to develop seeds of premium quality in terms of pest resistance, quality and quantity of yield. The process of hybrid seed development also involves a long gestation period, usually around four to six years. This requires huge investment in R&D facilities, and demand estimation for the products being developed becomes more crucial. These factors increase the volatility of the company's revenue, profitability and cash accruals.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria on assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Withdrawal of Ratings](#)

Liquidity – Adequate

The company has a current ratio of 1.59X as at the end of FY24 and an average cash credit utilization of ~51% during the past 12 months reflecting a healthy liquidity position. The company has no long-term debt obligation. The company is expected to generate over Rs.40cr of cash accruals annually. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable.

About the Company

Incorporated in 1986, ASPL is a part of the Mulay group that has business interests in construction, sugar and education. This Aurangabad, Maharashtra, based company is among the leading processors of BT cotton seeds in India. It also produces oil seeds, cereals, fibre crops, and vegetables seeds under the brand Ajeet. ASPL has seed processing plants, one each in Chitegaon, Phulambri and Pharola in Aurangabad; and an R&D facility in



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Hanumantgaon and Imampur Maharashtra. The company has wind turbines with combined capacity of 9.4 MW, in Rajasthan (5.4 MW), Madhya Pradesh (1.5 MW) and Maharashtra (2.5 MW). ASPL is promoted by Mr Padmakar Mulay and his sons, Mr Ranjeet Mulay and Mr Sameer Mulay.

Financials (Standalone):

For the year ended/ As on*	INR in Crore	
	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	527.84	543.06
EBITDA	51.49	62.18
PAT	29.28	33.41
Total Debt	147.38	183.97
Tangible Net worth	640.14	673.55
EBITDA Margin (%)	9.75	11.45
PAT Margin (%)	5.52	6.14
Overall Gearing Ratio (x)	0.23	0.27
Interest Coverage(x)	8.90	8.78

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Date: October 12, 2023)	Date(s) & Rating(s) assigned in 2023-24 (Date: May 19, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Date: Aug 01, 2022)
1.	Fund Based Bank Facility – Cash Credit	Long Term	60.00	IVR A/ Negative	IVR A/ Negative	IVR A/ Negative	IVR A/ CWDI
2.	Fund Based Bank Facility – Cash Credit	Long Term	30.00	IVR A/ Negative	-	-	-



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3.	Fund Based Bank Facility – Term Loan	Long Term	140.00	IVR A/ Negative	IVR A/ Negative	-	-
4.	Fund Based Bank Facility – Term Loan	Long Term	108.00	IVR A/ Negative	-	-	-
5.	Proposed	Long Term	2.00	IVR A/ Negative	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	90.00	IVR A/ Negative
Term Loan	-	-	-	248.00	IVR A/ Negative
Proposed	--	-	-	2.00	IVR A/ Negative

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AjeetSeeds-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.