

Press Release

Maa Jay Chandi Multipurpose Cold Storage Private Limited

December 16, 2019

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	8.00	IVR B /Stable (IVR Single B with Stable Outlook)	Assigned
Total	8.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Maa Jay Chandi Multipurpose Cold Storage Private Limited (MCSPL) derives comfort from its experienced promoters with long track record of operations and locational advantage. However the ratings are tempered by its small scale of operations, exposure to agro-climatic risks, risks associated with delinquency of loans extended to the farmers and regulated nature of industry. The rating also factors in its weak financial risk profile marked by small net worth base, leveraged capital structure and depressed debt protection metrics.

Key Rating Sensitivities:

Upward Rating Factors:

- Sharp increase in scale of operations with improvement in profitability on a sustained basis
- Improvement in capital structure

Downward Rating Factors:

- Any decline in scale of operation and moderation in profitability on a sustained basis
- Movement of gearing ratio above 5x leading to deterioration in financial risk profile
- Deterioration in liquidity position

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List of Key Rating Drivers with detailed description

Key Rating Strengths

- **Experienced promoters with long track record of operations**

The promoter, Mr. Amit Kumar Samui and the other directors are having more than a decade of experience in the cold storage business. Thus the experience of the promoters supports the daily operations of the company. Moreover, the company has started its business in 2008, thus having a long track record of operation of around 11 years in the cold storage industry.

- **Locational advantage**

MCSPL enjoys a locational advantage in terms of presence of its cold-storage unit in Anandapur, Paschim Medinipur, where a large quantity of potato is produced. Thus the favourable location of the storage unit makes it feasible for the farmers in terms of transportation, connectivity and logistics.

Key Rating Weaknesses

- **Small scale of operations**

Despite its long track of operations in the cold storage industry the company's scale of operation remained small with a total operating income of Rs.2.79 crore in FY19. Further, total capital employed also remained low at Rs.12.42 crore as on March 31, 2019. Small scale of the company limits the financial flexibility in times of stress.

- **Regulated nature of industry**

In West Bengal, the basic rental rate for cold storage operations is regulated by the state government through West Bengal State Marketing Board. Regulated nature of the industry makes it difficult to pass on the increase in operating costs, thus exerting pressure on the profitability.

- **Exposure to agro-climatic risks**

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The operations of cold storage units are seasonal in nature and hence exposed to the agro-climatic risk. With the harvesting period commencing in February, the loading of potatoes in cold storages begins by the end of February and lasts till March. Further, with potatoes having a limited life even after preservation, farmers liquidate their stock from the cold storage generally by November. The unit remains non-operational from December to February, during which it undertakes annual maintenance. Further, the company largely depends upon a single agro-commodity, potato. Hence, lower output of potato will have an adverse impact on the rental collections as the cold storage units collect rent on the basis of quantity stored.

- **Risks associated with delinquency of loans extended to the farmers**

Against the pledge of potatoes stored, the company provides interest-bearing advances to the farmers. These advances are funded by the bank, which are routed to the farmers through the company. Before the close of the season (Generally in November), farmers have to pay their outstanding dues, which include repayment of the loans taken, along with interest. Though the company has the right to auction the stock and recover its dues, any significant downward correction in potato prices exposes the company to the risk of delinquency in loans extended to the farmers.

- **Weak financial risk profile marked by small net worth base, leveraged capital structure and depressed debt protection metrics**

The financial risk profile of the company remained weak marked by its leveraged capital structure as on the last two accounting closing dates. The overall gearing ratio remained high at 3.77x as on March 31, 2019 (2.42x as on March 31, 2018). The Total Outside Liabilities to Tangible Net worth also remained moderate at 4.21x as on March 31, 2019 (2.57x as on March 31, 2018). The overall gearing ratio moderated due to erosion of net worth on account of net loss incurred in FY19. The company posted net loss in FY19 mainly due to a provision based on expected delinquency in loans extended to the farmers. However, there was no cash loss. Due to low cash accruals the debt protection parameters of the company remained depressed marked by Total debt to GCA at 26.24 years in FY19 (19.32 years in FY18). However, the interest coverage ratio remained moderate at 1.39x in FY19.

Analytical Approach: Standalone

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Applicable Criteria

Rating Methodology for Service Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity: Stretched

Liquidity is marked by below unity current ratio with tightly matched accruals to repayment obligations and highly utilized bank limits leaving a limited buffer.

About the Company

Incorporated in May 05, 2008, Paschim Medinipur based Maa Jaychandi Multipurpose Cold Storage Private Limited (MCSPL) was promoted by one Samui family. PCPL is operating a cold storage facility in Anandapur, Paschim Medinipur. The company is engaged in the business of providing cold storage facility with an installed capacity of 2,00,000 quintals per annum for cold storage of potato. Apart from operating a cold storage facility the company also provides advances to farmers for farming purposes of potato against potato stored. The day-to-day affairs of the company are looked after by Mr. Amit Kumar Samui (Director) along with other directors.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	3.09	2.79
EBITDA	1.03	1.10
PAT	0.09	-0.62
Total Debt	7.65	9.56
Tangible Net worth	3.16	2.54
EBITDA Margin (%)	33.39	39.37
PAT Margin (%)	2.88	-21.74
Overall Gearing Ratio (x)	2.42	3.77

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Seasonal Working Capital loan	Long Term	6.55	IVR B/Stable	-	-	-
2.	Working Capital loan	Long Term	1.45	IVR B/Stable	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Seasonal Working Capital loan	-	-	February 2020	6.55	IVR B /Stable
Working Capital loan	-	-	On demand	1.45	IVR B /Stable