

## Infomerics Valuation And Rating Pvt. Ltd.

### Press Release

#### Mangalmoyee Maa Chandi Multipurpose Cold Storage Private Limited

November 27, 2019

#### Ratings

| Instrument / Facility     | Amount<br>(Rs. crore) | Ratings  | Rating<br>Action |
|---------------------------|-----------------------|--|------------------|
| Long Term Bank Facilities | 10.56                 | IVR B /Stable<br>(IVR Single B with Stable<br>Outlook) | Assigned         |
| <b>Total</b>              | <b>10.56</b>          |  |                  |

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Mangalmoyee Maa Chandi Multipurpose Cold storage Private Limited (MMCMSPL) derives comfort from its experienced promoters and locational advantage. However the rating strengths are tempered by short track record and small scale of operations, exposed 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 on a sustained basis

#### 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 of financial risk profile
- Decline in liquidity position on a sustained basis

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### **List of Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

- **Experienced promoter**

The promoters, Mr Tarun Kanti Ghosh, Mr. Sandeep Porya and Mr. Gautam Samui, are having experience of more than two decades in the cold storage and Potato trading business. Thus the experience of the promoters supports the daily operations of the company.

- **Locational advantage**

MMCMCPL enjoys a locational advantage in terms of presence of its cold-storage unit in Hooghly district of West Bengal, 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**

- **Short track record and small scale of operations**

The company has started its commercial operation from March, 2018, thus having a limited track record of operation. The scale of operations of the company also remained small. In its first full year of operation in FY19 the company has achieved a total operating income of Rs.8.08 crore. Further, total capital employed of the company also remained low at Rs.10.13 crore as on March 31, 2019. Small scale of the company limits the financial flexibility in time 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

- **Exposed to agro-climatic risks**

The operations of cold storage units are seasonal in nature and hence exposed to the agro-climatic risk. 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.

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- **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 in the form of cash credit, 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. In FY19, the company has made a provision based on expected delinquency in loans extended to the farmers which led to net loss. However, there were no cash loss. The overall gearing deteriorated from 1.56x as on March 31, 2018 to 4.62x as on March 31, 2019 due to net loss incurred during FY19 leading to erosion of net worth and increase in debt level. Moreover, due to low cash accruals the debt protection parameters of the company remained depressed marked by high Total debt to GCA at 32.34 years in FY19. However, the interest coverage ratio remained moderate at 1.23x in FY19. The Total Outside Liabilities to Tangible Net worth also remained high at 5.25x as on March 31, 2019 (1.63x as on March 31, 2018). Further, the average utilisation of working capital bank limit during the last 12 months ended October, 2019 stood high at about 98%.

**Analytical Approach:** Standalone

**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.

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### About the Company

Incorporated in September, 2016, Hooghly, West Bengal based Mangalmoyee Maa Chandi Multipurpose Cold Storage Private Limited (MMCMCPL) was promoted by Mr. Tarun Kanti Ghosh, Mr. Sandeep Porya and Mr. Gautam Samui. MMCMCPL is operating a cold storage facility in Hooghly district of West Bengal. The commercial operation of cold storage service has been started from FY18-19 with an installed capacity of 3,84,000 packets per annum for cold storage of potato. Apart from operating a cold storage facility the company is also engaged in potato trading.

### Financials (Standalone):

| For the year ended* / As On | (Rs. crore) |            |
|-----------------------------|-------------|------------|
|                             | 31-03-2018  | 31-03-2019 |
|                             | Audited     | Audited    |
| Total Operating Income      | 1.34        | 8.08       |
| EBITDA                      | 0.26        | 1.03       |
| PAT                         | -1.03       | -1.12      |
| Total Debt                  | 4.58        | 8.33       |
| Tangible Net worth          | 2.94        | 1.80       |
| EBITDA Margin (%)           | 19.64       | 12.77      |
| PAT Margin (%)              | -75.60      | -13.76     |
| Overall Gearing Ratio (x)   | 1.56        | 4.62       |

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**

**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                     | 6.00                           | IVR B/Stable | -                                       | -                                       | -                                       |
| 2.      | Working Capital loan          | Long Term                     | 0.66                           | IVR B/Stable | -                                       | -                                       | -                                       |
| 3.      | Term loan I                   | Long                          | 3.89                           | IVR          | -                                       | -                                       | -                                       |

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| 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 |
|         |                               | Term                          |                                | B/Stable     |   |   |   |
| 4.      | Bank Guarantee                | Long Term                     | 0.01                           | 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](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

|  |   |
|--|---|
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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 | -                | -                | -             | 6.00                         | IVR B /Stable            |

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|                      |   |   |           |      |               |
|----------------------|---|---|-----------|------|---------------|
| Working Capital loan | - | - | -         | 0.66 | IVR B /Stable |
| Term loan I          | - | - | June 2025 | 3.89 | IVR B /Stable |
| Bank Guarantee       | - | - | -         | 0.01 | IVR B /Stable |