



Press Release

Natural Storage Solutions Private Limited

March 10, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	38.20	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned
2	Short Term Bank Facilities	14.00	IVR A3 (IVR A Three)	Assigned
	Total	52.20 (Rs. Fifty-Two crore and Twenty lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Natural Storage Solutions Private Limited (NSSPL) derives comfort from its long track record of operation under experienced promoter, proven project execution capability, diversified customer profile, strong order book reflecting satisfactory near to medium term revenue visibility and stable financial performance over the past three fiscals. These rating strengths are partially offset by its susceptibility of profitability to volatile input prices, moderate financial risk profile and high working capital intensity of the business.

Rating Sensitivities

Upward factors

- Growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity
- Improvement in the capital structure with improvement in overall gearing to below 1x
- Improvement in the operating cycle with improvement in the receivable period

Downward Factors

- Moderation in scale of operations and/or profitability on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing to more than 2x
- Elongation in the operating cycle and/or moderation in liquidity



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Long track record of operation under experienced promoter**

The overall operation of the company is looked after by Mr. Yogesh S Dahiya, Managing Director, along with other director Mr. Haresh G Kacha. Both the directors are technically qualified in the line of activity and hold adequate experience of over two decades. The directors are backed by a team of experienced personnel. The company started its operation during 2009, thus enjoying over a decade of operational track record.

- **Proven project execution capability**

Over the past years, the company has successfully completed many projects across India and other countries like Senegal, Sri Lanka, Bhutan, Bangladesh etc being an integrated player with technical expertise, providing end-to-end turnkey solutions, in-house manufacturing of diverse products. In order to manage the projects in a better way, the entity has a policy to apply for short to medium duration projects (1-3 years) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its capabilities.

- **Diversified customer profile**

The company caters to customers from diverse geographies and from diverse sectors. Which reduces the dependency on the fate of a particular sector or geography. Majority of the client base consists of companies operating in the food industry, agro-processing industry and a few others including chemical and dye industry and engineering sector as well as to farmers.

- **Strong order book reflecting satisfactory near to medium term revenue visibility**

The company has a strong order book position of ~Rs. 206 crore as on January 31, 2021 which is about 2.1 times of its FY20 turnover. The orders are expected to be completed from next three months to two years' timeframe, indicating a satisfactory near to medium term revenue visibility.

- **Stable financial performance**

The financial performance of the company remained stable over the past three fiscals though the Total operating income (TOI), of the company witnessed an erratic trend during the aforesaid period. TOI of the company witnessed marginal moderation in FY19 of ~3% over FY18 mainly due to lower execution of EPC contracts. However, in FY20, with execution of higher value projects coupled with increase in income from service, the TOI of the company



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witnessed a y-o-y growth of ~7%. On the other hand, the operating margin of the company improved sharply in FY19 and remained stagnant around 11% in FY20 with initiation of own manufacturing units of refrigeration equipment and lesser dependent on purchased and assembling. Further, the PAT margin of the company witnessed an increasing trend over the past three fiscals and improved from 1.47% in FY18 to 2.75% in FY20. During 10MFY21, the company has achieved revenue of ~Rs.61 crore. As per nature of industry, during last quarter of the year, a large portion of annual turnover is being earned as the projects has to be completed before summer time. Infomerics expects that the financial performance of the company will continue to remain stable in the near term.

Key Rating Weaknesses

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in EPC activities are Mild Steel (MS) steel parts, Polyurethane Foam (PUF) panels, aluminum, chemical and gases, which are usually sourced from large players at proximate distances. Raw material generally comprises ~80%-90% of its cost of sales. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices.

- **Moderate financial risk profile**

The capital structure of the company remained leveraged over the past three account closing dates with the Overall gearing ratio at 1.53x as on March 31, 2020. However, the debt equity ratio of the company remained below unity during the aforesaid period and witnessed gradual improvement with scheduled repayment of term debts and accretion of profit to net worth. Further, the total indebtedness of the company also remained moderate marked by TOL/TNW at 2.90x as on March 31, 2020. The debt protection metrics of the company remained adequate over the years marked by satisfactory interest coverage ratio with an increasing trend. However, Total debt to GCA remained moderate at 8.45 year in FY20.

- **High working capital intensity**

The operations of the company are working capital intensive marked by its elongated receivable period and high work in progress period. To fund its large working capital requirement the company resorts to unsecured loans and working capital borrowings coupled with stretching of creditors.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals in the range of Rs.5-6 crore as against its debt repayment obligations in the range of Rs.1.5 - 4.5 crore during FY21-23. However, the liquidity position of the company is restricted due to its high working capital intensity marked by elongated receivable period. However, the average utilisation of bank borrowings remained moderate at ~90% during the past 12 months ended in January, 2021 indicating a moderate liquidity buffer.

About the Company

Natural Storage Solutions Private Limited (NSSPL) was incorporated during 2009 as Natural Vegetables and Fruits Storage Private Limited (NVFS) in Rajkot, Gujarat. Later during 2015, NVFS rechristened as NSSPL. Initially the company was engaged in manufacturing and trading of a wide range of refrigeration and other industrial food processing equipment's. Currently, with pan India operations, NSSPL is engaged in the designing and manufacturing of industrial refrigeration applications and provides end-to-end turkey solutions for setting up industrial refrigeration plants. The application of its service finds application in business like cold storage, frozen plants, fruit- ripening chambers, pre-cooling rooms, ice plants, ice conveying systems, chilling plants, food processing equipment like vegetable dryers, fabricated equipment, condensers, pressure vessels and dust collecting system etc. The company installed its manufacturing unit of refrigeration component at Chhatral, near Ahmedabad. The company also exports refrigeration applications to countries like Senegal, Sri Lanka, Bhutan, Bangladesh etc.

Day to day affairs of the company is look after by Mr. Yogesh S Dahiya, Managing Director, along with other director Mr. Haresh G Kacha and a team of experienced personnel. All the directors are adequately qualified and having over two decades of experience.



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Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	87.43	93.48
EBITDA	9.74	10.76
PAT	2.29	2.57
Total Debt	31.03	37.34
Tangible Net worth	21.73	24.38
EBITDA Margin (%)	11.14	11.51
PAT Margin (%)	2.62	2.75
Overall Gearing Ratio (x)	1.43	1.53

*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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	15.70	IVR BBB- / Stable	-	-	-
2	Cash Credit	Long Term	22.50	IVR BBB- / Stable	-	-	-
3	LC	Short Term	14.00	IVR A3	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sanmoy Lahiri
Tel: (033) 46022266
Email: slahiri@infomerics.com

Name: Mr. Avik Podder
Tel: (033) 46022266
Email: apodder@infomerics.com

About Infomerics:



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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
LT Fund Based Limits – Term Loan	-	-	Sept 2024	15.70	IVR BBB-/Stable
LT Fund Based Limits – CC	-	-	-	22.50	IVR BBB-/Stable
ST Non-Fund Based Limits – LC	-	-	-	14.00	IVR A3