



## Press Release

**Kisanmitra Warehousing Pvt Ltd. (KWPL)**

**November 3, 2022**

### Ratings

Facilities	Amount (Rs.crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loan	3.63 (Reduced from Rs.4.34 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit	45.00 (Enhanced from Rs.24.50 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
<b>Total</b>	<b>48.63</b>	<b>Rupees Forty Eight Crore Sixty Three Lakh only</b>		

**Details of facilities are in Annexure 1**

### Detailed Rationale

Infomerics has considered the consolidated financial profiles of Kisanmitra Warehousing Pvt. Ltd. (KWPL) and Kisanmitra Cold Storage Pvt. Ltd. (KCSPL), collectively referred to as the Kisangroup Group, for arriving at the ratings.

The rating reaffirmation to the bank facilities of Kisanmitra Group continues to derive comfort from experienced promoters with long track record in the agro-commodities industry, location advantage with being located strategically in Latur district of Maharashtra, significant growth in revenues driven by sale of agro commodities, adequate debt levels leading to satisfactory credit metrics, better return indicators and improvement in operating cycle over past fiscals given the gradual correction in debtor and inventory position. The ratings are, however, constrained by the sharp decline in operating margins in the past fiscals, Exposure to commodity price fluctuation, agro-climatic risk and presence in a highly competitive industry.



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### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Improvement in overall gearing ratio debt coverage indicators.

#### Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis.
- Any deterioration in its liquidity profile with elongation in operating cycle
- Any substantial growth in debt levels than anticipated weakening the credit metrics.

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths:

##### **Experienced promoters with long track record in the agro-commdities industry**

The promoters of the Kisanmitra group have an extensive experience of around two decades in the agro products industry. The group's operations are primarily overseen by Mr. Hemant Vaidya and Mr. Satish Deshmukh well supported by their sons. Long presence in the industry has led in establishing healthy relationship with its customers and suppliers. Amongst, the customers, the group remains associated with Kirti Group, Octogen Foods, and ADM Agro for over last several years.

##### **Location advantage with being located strategically in Latur district of Maharashtra**

The group entities benefit from their strategic location, geographically as also agriculturally. While Latur remains a large-scale soya and pulses producer, it is also located in the central region of the country rendering logistic advantage mainly as far as current and prospective customers are concerned.



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### **Significant growth in revenues driven by sale of agro commodities**

The operating revenue of the group increased to Rs.456.80 in FY22(A) as against Rs.390.83 crore in FY21(A), registering Y-o-Y growth of ~17%, driven by sale of agro commodities like soyabean, maize, toor, chana, chana dal etc. The Company's EBITDA margin increased to 4.36% in FY22 (A) from 4.13% in FY21(A). However, EBITDA margin remained challenged due to escalated input cost post COVID leading to weak margin compared to company's traditionally healthy margin in cold storage warehousing business.

### **Adequate debt levels leading to satisfactory credit metrics, better return indicators**

The Kisanmitra group in the past few fiscals has strived to keep the debt levels under control which has led to comfortable credit metrics. The return indicators have also remained satisfactory in the past fiscals. The adjusted gearing remained at 1.40x in FY22 (A) as compared to 1.48x in FY21 (A). The coverage indicators have also remained satisfactory in the past fiscals. The interest coverage and TD/EBIDTA remained at 2.521x and 5.51x as on March 31, 2022 while the same has remained at 2.06x and 5.84x as on March 31, 2021. Controlled debt levels have also resulted in primarily better RoCE in the past fiscals at 10.68% in FY22 (A) while the RoNW remained at 14.49% during the same period.

### **Improvement in operating cycle over past fiscals given the gradual correction in debtor and inventory position**

The group has demonstrated an improvement in operating cycle since FY20 with reduction in operating cycle days from 329 days in FY19 given the betterment in the debtor and inventory position. While the operating cycle remained at 96 days as on March 31, 2022, the same remained at 85 days as on March 31, 2021. Kisanmitra Warehousing Pvt Ltd operating cycle has remained at 133 days in FY22 (A) while Kisanmitra Cold Storage Pvt Ltd operating cycle has remained at 51 days in FY22 (A). Sustenance in the operating cycle will be a key rating monitorable going forward. The company remain associated with some reputed groups like Kirti Group among others. The average creditor days for Kisanmitra group remained at 23 days in FY22 (A) and at 21 days in FY21 (A).



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### **Key Rating Weaknesses:**

#### **Sharp decline in operating margins in the past fiscals**

While the group has registered significant increase in agro commodity sales, the operating margins have shown a sharp decline. While operating margins remained at 37.82% in FY2018, they have gradually declined to 4.36% in FY22 (A) on thin margins associated with its key operations, sorting and packaging of various agro commodities. The movement of margins in the near term will be a key rating monitorable going forward though Infomerics expects them stabilize in the near term. Kisanmitra Warehousing Pvt Ltd and Kisanmitra Cold Storage Pvt Ltd EBITDA margins remained at 5.52% and 2.85% in FY22 while it remained at 6.95% and 1.51% in FY21 (A).

#### **Exposure to commodity price fluctuation, agro-climatic risk**

Kisanmitra group entities remain vulnerable to volatility in agro commodity prices. Managing the same through adequate pass through to the customers remains crucial to the profitability and hence the group's cash flows. The group is also susceptible to agro-climatic risk which may have bearing on the performance of the group.

#### **Presence in a highly competitive industry**

The cold storage and warehousing industry in India are highly fragmented, thus the group faces stiff competition from other established and unorganized players in the industry which may exhibit a bearing on the profitability metrics.

#### **Analytical Approach: Consolidated**

For arriving at the ratings, INFOMERICS has combined the financials of Kisanmitra Warehousing Pvt. Ltd. (KWPL) and Kisanmitra Cold Storage Pvt. Ltd. (KCSPL) commonly referred as Kisanmitra Group as these entities have a common management team, same line of business and operational and financial linkages between the entities including corporate guarantee extended by KWPL to KCSPL.

The extent of consolidation is full.



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### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Rating Outlook](#)

[Rating criteria on consolidation of companies](#)

### **Liquidity – Adequate**

The liquidity of the group is expected to remain adequate marked by its expected adequate cash accruals against debt repayment obligations in next three years. Further, absence any large debt funded capex also provides some comfort. The free cash balance as on March 31, 2022 at consolidated levels remains at Rs. 5.37 crore. The average working capital utilisation of the group remained at 86.53% during the last 12 months period ended September 2022. However, the average working capital utilisation of the Kisanmitra Warehousing Storage Pvt. Ltd. (KWPL) remained at 89.37% during the last 12 months period ended September 2022.

### **About the Group**

The Latur, Maharashtra based Group is promoted by Mr. Hemant Vaidya and Mr. Satish Deshmukh who are associated with the agricultural industry from last 18 years. The promoters are connected directly/ indirectly to more than 25,000 farmers in the region. The group has setup state of the art facilities for cleaning, material handling, cold processing, cold storage, pulp processing, warehousing facilities for various products such as agro-commodities, food grains, fruits, vegetables etc.

### **About the Company**

Incorporated on July 18, 2010, Kisanmitra Warehousing Pvt Ltd (KWPL) is a Latur, Maharashtra based company promoted by Mr. Hemant Vaidya and Mr. Satish Deshmukh. The company was first established as a partnership firm in the year 2003 which was eventually converted to a private limited company. The company is engaged in providing storage facilities for the agro commodities in Latur, Maharashtra and is currently running two warehouses, one with 10,000 MTPA and other with 15,000 MTPA. Apart from this, the Company also has open



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shed facility with the capacity of around 15,000 MTPA. Thus, the total installed capacity of warehousing is 40,000 MTPA.

### **Financials (Consolidated):**

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	390.83	456.80
EBITDA	16.14	19.91
PAT	7.29	7.80
Total Debt	94.23	109.65
Tangible Net Worth	58.07	69.67
<b><u>Ratios</u></b>		
EBITDA Margin (%)	4.13	4.36
PAT Margin (%)	1.85	1.70
Overall Gearing Ratio (x)	1.48	1.40

\* Classification as per Infomerics' standards

### **Financials (Standalone):**

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	188.22	257.77
EBITDA	13.07	14.23
PAT	5.25	5.33
Total Debt	69.88	84.29
Tangible Net Worth	39.61	49.75
<b><u>Ratios</u></b>		
EBITDA Margin (%)	6.95	5.52
PAT Margin (%)	2.79	2.07
Overall Gearing Ratio (x)	1.68	1.53

\* Classification as per Infomerics' standards

### **Status of Non-cooperation with previous CRA:**

Acuite and Care Ratings continues to classify the rating of KCPL under Issuer Not Cooperating vide their press release dated October 14, 2021 and November 12, 2021, respectively.

**Any other information: Not Applicable**





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### Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (06.09.2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – Term Loan	Long Term	3.63	IVR BBB-/Stable	IVR BBB-/Stable	--	--
3.	Fund Based Bank Facilities – Cash Credit	Long Term	45.00	IVR BBB-/Stable	IVR BBB-/Stable	--	--

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

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).



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**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs.crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2026	1.12	IVR BBB- / Stable
Term Loan	-	-	October 2025	2.51	IVR BBB- / Stable
Cash Credit	-	-	-	45.00	IVR BBB- / Stable

### Annexure 2: List of companies considered for consolidated analysis:

Name of company	Extent of Consolidation
Kisanmitra Warehousing Pvt. Ltd. (KWPL)	Full*
Kisanmitra Cold Storage Pvt. Ltd. (KCSPL)	Full*

*\*Intercompany transaction has been adjusted as per Infomerics' standard.*

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KWPL-nov22.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com/>.