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Kisanmitra Warehousing Pvt Ltd

September 06, 2021

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities`	28.84	IVR BBB-/Stable (Pronounced as IVR Triple B minus with Stable Outlook)	Assigned
Total	28.84 (INR Twenty-Eight Crores and Eighty-Four Lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kisanmitra Warehousing Pvt Ltd factors in the extensive experience of the promoters in the agro-commodities industry, the strategic location of the units in the pulses – soybean rich Latur district of Maharashtra as also the significant growth of revenues in the past fiscals driven by sale of agro-commodities. The assigned rating factors in the satisfactory credit metrics and return indicators of the group along with and improvement in operating cycle over past fiscals given the gradual correction in debtor and inventory position.

However, the assigned rating remains constrained by sharp decline in the operating margins in the past fiscals though it is expected to stabilize in the near term. The assigned rating also factors in the vulnerability of the group's margins to commodity price movements and, agro-climatic conditions. Along with presence in an highly competitive industry marked by organized and unorganized players also restricts margin expansion to an extent.

Key Rating Sensitivities:

Upward Factors

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



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- Effective Working capital with reduction in operating cycle.

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.

List of Key Rating Drivers with Detailed Description

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.

Significant growth in revenues in the past fiscals driven by sale of agro commodities

The Kisanmitra group in the past few fiscals has grown significantly in the past few fiscals. While the revenues have remained at Rs. 58.67 crore in FY2019, the same have increased gradually increased to Rs. 257.59 crore in FY 2020 driven by the sales in agro commodities like toor, soyabean, chana, chana dal etc. While Kisanmitra Warehousing Pvt Ltd revenues remained at Rs. 260.79 crore in FY2021 (Provisional), the same remained at Rs. 136.29 crore in FY2020. Kisanmitra Cold



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Storage Pvt Ltd on the other hand has reported revenues of Rs. 197.95 crore in FY2021 (Provisional) against Rs. 121.29 crore in FY2020. The group in Q1FY2022 has recorded revenues of Rs. 219.36 crore. The sustenance of the revenues will be a key monitorable, going forward.

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 adequate credit metrics. The return indicators have also remained satisfactory in the past fiscals. The adjusted gearing remained at 1.33x in FY2021 (provisional) as compared to 0.99x in FY2020. The coverage indicators have also remained satisfactory in the past fiscals. The interest coverage and TD/EBIDTA remained at 3.01x and 3.74x as on March 31, 2021 while the same has remained at 2.38x and 3.95x as on March 31, 2020. Controlled debt levels have also resulted in primarily better RoCE in the past fiscals at 16.43% and 12.73% in FY2021 (provisional) and FY2020 respectively. RoNW remained at 17.51% and 10.11% in FY2021 (provisional) and FY2020.

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

The group over the past fiscals has demonstrated an improvement in operating cycle given the betterment in the debtor and inventory position. While the operating cycle remained at 76 days as on March 31, 2021, the same remained at 89 days as on March 31, 2020. Kisanmitra Warehousing Pvt Ltd operating cycle has remained at 105 days in FY2021 (Provisional) while Kisanmitra Cold Storage Pvt Ltd operating cycle has remained at 38 days in FY2021 (provisional). 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 89 days in FY2020 and at 76 days in FY2021 (Provisional).

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 4.96% in FY2021 on thin margins associated with its key operations, sorting and packaging of various agro



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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. Kisanmita Warehousing Pvt Ltd and Kisanmitra Cold Storage Pvt Ltd EBIDTA margins remained at 6.70% and 3.45% in FY2020 while it remained at 6.20% and 3.33% in FY2021 (Provisional).

Exposure to commodity price fluctuation, agro-climatic risk

The market exhibits high degree of volatility. Their prices depend on various parameters such as government policies, climatic conditions, global demand-supply dynamics among others. Any sharp deviation in the prices can have a significant impact on the operations. The group is also susceptible to agro-climatic risk since the product is an agricultural commodity and would impact the profitability.

Customer concentration risk and geographical concentration risk

The major chunk of the group's revenue from operations is derived from only one customer i.e. Kirti Group as it supplies the processed agro-commdities to it. Also, the group's customers are only concentrated to Latur, Maharashtra which drags the group to geographical concentration risk.

Presence in a highly competitive industry

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

Analytical Approach: Consolidated

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

Applicable Criteria:

Rating Methodology for Trading Entities

Financial Ratios & Interpretation (Non- Financial Sector)



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Liquidity – Adequate

The liquidity of the group is expected to remain adequate marked by its expected adequate cash accruals ~Rs.15-20 crore as against debt repayment obligations of Rs. 4-4.50 crore in next three years. Further, absence any large debt funded capex also provides some comfort. The free cash balance as on March 31,2021 at consolidated levels remains at Rs. 0.62 crore. However, the average working capital utilisation remained at 91% during the last 12 months period ended July 2021. The free cash balance for Kisanmitra Warehousing Pvt Ltd remained at Rs. 0.32 crore as on March 31,2021 while the average working capital utilisation remained at 93% during the last 12 months period ended July 2021.

About the Group and the Company

About the Kisanmitra 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 7000 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 Kisanmitra Warehousing Pvt Ltd (KWPL)

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 with 10,000 MTPA and 15000 MTPA (Total established capacity is 25000 MTPA).

Both the warehouses are well equipped with Gravity Separator machines and Seed Cleaner Machines of 50 MTPH capacity. The Company is having its own 12 transportation vehicles for bulk containers handling and transportation of agricultural produce.

The company is also providing storage facilities to local mills and farmers in Latur and Marathwada region. The company also deals in various agri-commodities and



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has also availed APMC Mandi License to procure the agri-commodities from farmers. It provides technological information to the farmers such as arranging daily SMS for the agri-commodities rates to ensure their reachability and dealing with farmer community on large volume basis.

Financials (Consolidated):

For the year ended*/As on	31-03-2019 (Audited)	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	58.67	257.59	458.74
EBITDA	10.47	13.33	22.76
PAT	3.08	4.72	10.25
Total Debt	39.36	52.61	85.02
Adjusted Tangible Net Worth	40.47	52.97	64.14
EBITDA Margin (%)	17.84	5.17	4.96
PAT Margin (%)	5.24	1.83	2.24
Adjusted Overall Gearing Ratio (x)	0.97	0.99	1.33

Financials (Standalone):

For the year ended*/As on	31-03-2019 (Audited)	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	28.45	136.29	260.79
EBITDA	7.97	9.14	16.17
PAT	2.95	3.68	7.54
Total Debt	29.22	36.93	65.45
Adjusted Tangible Net Worth	29.17	37.05	49.26
EBITDA Margin (%)	28.03	6.70	6.20
PAT Margin (%)	10.33	2.70	2.89
Adjusted Overall Gearing Ratio (x)	1.00	1.00	1.33

Status of non-cooperation with previous CRA: NA



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Any other information: NA

Rating History for last three years:

Sr. No.	Name of Facilities	Current Year (FY 2021-22)			Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
		Type	Amount outstanding (Rs. Crore)	Rating			
1.	Term Loan	Long Term	4.34	IVR BBB-/Stable	--	--	--
2.	Cash Credit		24.50		--	--	



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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. 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



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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.

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 Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Term Loan	-	-	March, 2024	4.34	IVR BBB-/Stable
Long Term Bank Facility- Cash Credit	-	-	Revolving	24.50	

Annexure 2: List of companies considered for consolidated analysis:

Group Companies Extent of Consolidation (%): Kisanmitra Warehousing Pvt Ltd (100%), and Kisanmitra Cold Storage Pvt Ltd (100%).

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Kisanmitra-Warehousing-6sept21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Facilities	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple



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

