

**Press Release**

**Riddhi Siddhi Cold Storage Pvt Ltd**

**October 29, 2019**

**Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
Long Term Facilities- Seasonal Working Capital Loan	13.42	IVR B/Stable (IVR Single B with Stable Outlook)	Reaffirmed
Long Term Facilities- Working Capital Loan	1.50	IVR B/Stable (IVR Single B with Stable Outlook)	Reaffirmed
Long Term Facilities- Term Loan	5.46 (reduced from 6.28)	IVR B/Stable (IVR Single B with Stable Outlook)	Reaffirmed
Long Term Facilities- Bank Guarantee	0.31	IVR B/Stable (IVR Single B with Stable Outlook)	Reaffirmed
<b>Total</b>	<b>20.69</b>		

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The ratings of the bank facilities of Riddhi Siddhi Cold Storage Pvt Ltd (RSCSPL) continues to derive comfort from its experienced promoters and locational advantage. The ratings however, are tempered by instances of past delays, its small scale of operations limiting economies of scale, regulated nature of the industry, exposure to agro-climatic risks, working capital intensive nature of business exerting pressure on liquidity position, risks associated with delinquency of loans extended to the farmers and weak financial risk profile as reflected by high gearing and weak debt coverage indicators.

**Key Rating Sensitivities**

- **Upward Factor**
  - Sharp increase in scale of operations
  - Improvement in capital structure
- **Downward Factor**
  - Delay in servicing of debt obligations
  - Sharp deterioration in debt protection metrics

**List of Key Rating Drivers with Detailed Description**

## **Key Rating Strengths**

### **Experienced promoters**

The promoters, Mr. Raja Chakraborty and Mrs. K Chakraborty, are having experience of more than two decades in the cold storage segment and Potato trading business. Apart from RSCSPL, the promoters are also running cold storages in other districts of West Bengal.

### **Locational advantage**

RSCSPL enjoys a locational advantage in terms of presence of its cold-storage unit in Alipurduar district, where a large quantity of potato is produced. The favourable location of the storage unit, provides it with a wide catchment and making it suitable for the farmers in terms of transportation and connectivity.

## **Key Rating Weakness**

### **Instances of past delays**

The company has instances of delays in the past due to its stretched liquidity. However, over the past three months the account is running regular with no delays as confirmed by the banker and the management.

### **Small scale of operations limiting economies of scale and flexibility in pricing**

RSCSPL's scale of operation remained small with a total operating income of Rs.12.53 crore in FY19. However, though the company witnessed a y-o-y growth of ~92.8% in FY19 the scale of operations continued to remain small. The total capital employed also remained low at Rs.10.54 crore as on March 31, 2019. Small scale of operations limits the economics of scale benefits.

### **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 hence exposed to the vagaries of nature. 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.

### **High working capital intensity of business exerts pressure on the liquidity position**

The operations are highly working capital-intensive due to the practice of extending up-front advances to the farmers at the time of loading of potatoes, which exerts pressure on the liquidity position

### **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 as reflected by high gearing and debt coverage indicators**

The financial risk profile of the company remained weak marked by its leveraged capital structure over the last three account closing dates with the overall gearing of 6.32x as on March 31, 2019 [4.12x as on March 31, 2018]. The debt service coverage parameters remained moderate indicators marked by the interest coverage ratio at 1.82x in FY19 (2.06x in FY18) with total debt to GCA of 44.44x in FY19 (8.40x in FY18). The Total Outside Liabilities to Tangible Net worth remained high at 7.09x as on March 31, 2019 (4.60x as on March 31, 2018). Further, the average utilisation of working capital bank limit during the last 12 months ended Sep, 2019 stood high at about 97%.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity**

Poor liquidity marked by below unity current ratio with tightly matched accruals to repayment obligations, highly utilized bank limits leaving a limited buffer and modest cash and bank balance of Rs.0.35 crore as on March 31, 2019.

## About the Company

Incorporated in August, 2015, Kolkata based Riddhi Siddhi Cold Storage Pvt Ltd (RSCSPL) was promoted Mr Raja Chakraborty and Mrs. K Chakraborty (wife of Mr. Raja Chakraborty) from Kolkata. RSCSPL is operating a cold storage facility at Shamuktala, in the Alipurduar district of West Bengal with an installed capacity of 27500 MTPA 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	6.50	12.53
EBITDA	3.73	3.64
PAT	0.31	-1.00
Total Debt	16.22	18.65
Tangible Net worth	3.93	2.95
EBITDA Margin (%)	57.39	29.06
PAT Margin (%)	4.71	-7.97
Overall Gearing Ratio (x)	4.12	6.32

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** CARE has moved the rating of RSCSPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated April 30, 2019.

**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)	Ratings	Date(s) & Rating(s) assigned in 2019-20	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.	Long Term Fund Based Limits – Seasonal Working Capital Loan	Long Term	13.42	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-	-

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
2.	Long Term Fund Based Limits – Working Capital Loan	Long Term	1.50	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-	-
3.	Long Term Fund Based Limits- Term Loan	Long Term	5.46	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-	-
4.	Long Term Non Fund Based Limits- BG	Long Term	0.31	IVR B/ Stable Outlook	IVR B/ Stable Outlook	-	-	-

**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:**

Name: Ms. Nidhi Sukhani Tel: (033) 46022266 Email: <a href="mailto:nsukhani@infomerics.com">nsukhani@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
---	---

**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 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 Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facilities- Seasonal Working Capital Loan	-	-	-	13.42	IVR B / Stable Outlook
Long Term Facilities- Working Capital Loan	-	-	-	1.50	IVR B / Stable Outlook
Long Term Facilities- Term Loan	-	-	September 2022	5.46	IVR B / Stable Outlook
Long Term Facilities- Bank Guarantee	-	-	-	0.31	IVR B / Stable Outlook
<b>Total</b>				<b>20.69</b>	IVR B / Stable Outlook