



Ridhi Sidhi Cold Storage Pvt Ltd (RSCSPL)

June 28, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Facilities- Seasonal Working Capital Loan	13.42	IVR B/Stable (IVR Single B with Stable Outlook)	Assigned
Long Term Facilities- Working Capital Loan	1.50	IVR B/Stable (IVR Single B with Stable Outlook)	Assigned
Long Term Facilities- Term Loan	6.28	IVR B/Stable (IVR Single B with Stable Outlook)	Assigned
Long Term Facilities- Bank Guarantee	0.31	IVR B/Stable (IVR Single B with Stable Outlook)	Assigned
Total	21.51		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Ridhi Sidhi Cold Storage Pvt Ltd (RSCSPL) derives comfort from its experienced promoters and locational advantage. The ratings however, are tempered by instances of past delays, 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 moderate debt coverage indicators. Sharp increase in scale of operations, timely servicing of debt obligations, improvement in capital structure and ability to manage working capital efficiently are the key rating sensitivities.

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.



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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.

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.7.82 crore in FY19 (Prov.). However, though the company witnessed a y-o-y growth of ~45% in FY19 the scale of operations continued to remain small. The total capital employed also remained low at Rs.23.91 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



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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 moderate 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 4.10x as on March 31,2019 (Prov.) [4.12x as on March 31,2018]. The debt service coverage parameters remained moderate indicators marked by the interest coverage ratio at 1.99x in FY19 (2.06x in FY18) with a moderate total debt to GCA of 10.03 years in FY19 (8.40 years in FY18). The Total Outside Liabilities to Tangible Net worth also remained moderate at 4.34x 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 May, 2019 stood high at about 97%.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for service sector companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

Liquidity is 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 (Prov.)

About the Company



Infomerics Valuation And Rating Pvt. Ltd.

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	Provisional
Total Operating Income	6.50	9.42
EBITDA	3.73	4.12
PAT	0.31	0.70
Total Debt	16.22	18.97
Tangible Net worth	3.93	4.63
EBITDA Margin (%)	57.39	43.68
PAT Margin (%)	4.71	7.41
Overall Gearing Ratio (x)	4.12	4.10

*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 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Seasonal Working Capital Loan	Long Term	13.42	IVR B/ Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Working Capital Loan	Long Term	1.50	IVR B/ Stable Outlook	-	-	-
3.	Long Term Fund Based Limits-Term Loan	Long Term	6.28	IVR B/ Stable Outlook	-	-	-



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4.	Long Term Non Fund Based Limits- BG	Short Term	0.31	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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Deepayan Ghosh

Tel: (033) 46022266

Email: deepayanghosh@infomerics.com

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.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits– Seasonal Working Capital Loan	-	-	-	13.42	IVR B/ Stable Outlook
Long Term Fund Based Limits- Working Capital Loan	-	-	-	1.50	IVR B/ Stable Outlook
Long Term Fund Based Limits-Term Loan	-	-	September 2022	6.28	IVR B/ Stable Outlook
Long Term Non Fund Based Limits- BG	-	-	-	0.31	IVR B/ Stable Outlook