



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Siddhi Vinayak Himghar Pvt Ltd (SVHPL)

October 4, 2019

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Issuer Rating	NA	IVR B[Is]/Stable (IVR Single B[Is] with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid issuer rating assigned to Siddhi Vinayak Himghar Pvt Ltd (SVHPL) derives comfort from its experienced promoters and locational advantage. The rating however, is tempered by its short track record of operations, regulated nature of the industry which exerts pressure on profitability, recovery of rental and advance given to farmers contingent upon movement in potato price, high working capital intensity and weak financial profile.

Key Rating Sensitivities:

Upward factors

- Sharp increase in total operating income
- Improvement in the financial risk profile marked by improvement in overall gearing ratio to below 3 times and debt service coverage ratio of more than 1.2 times.
- Improvement in profitability with improvement in gross cash accruals

Downward factors

- Sustenance of current heightened leverage: overall gearing of more than 6.0 times
- Incurrence of cash loss

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters are involved in the business of cold storage through other group entities in other districts of West Bengal since long. The experience gained supports the operations of SVHPL.



Location specific advantage

SVHPL enjoys location specific advantage due to its presence in Bankura district of West Bengal, where a large quantity of potato is produced. The favourable location of the unit provides it with a wide catchment and making it suitable for the farmers in terms of transportation and connectivity.

Key Rating Weaknesses

Short track record of operations

The company has started its operation in 2018 thereby having a short track record of operations.

Regulated nature of the industry exerts pressure on profitability

The West Bengal State Marketing Board determines the maximum rental to be charged by the cold storage and revises it periodically. As income from rental charged is the major source of the company's revenue and while expenses incurred to run the cold storage like maintenance, human resource, and finance cost etc. are being variable in nature, the same exert pressure on profitability.

Recovery of rental and advance given to farmers, contingent upon movement in potato price

As per the industry practice, SVHPL provides advances against storage of potato to farmers/traders, which it recovers along with interest and rent at the time of inventory release. This practice exposes the company to counterparty risk due to loans extended to the farmers, given the chances of default if potato prices fall significantly.

High working capital intensity

Industry practice of providing advances to farmers and its recovery along with rental charges at the time of off-loading exerts pressure on liquidity.

Weak financial profile

The company witnessed a y-o-y growth of ~50% in FY19 the scale of operations continued to remain small with a total operating income of Rs.9.28 crore in FY19. The total capital employed also remained low at Rs.12.33 crore as on March1, 2019. Small scale of operations



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limits the financial flexibility and economics of scale benefits. Further, the regulated nature of the industry and the practice of providing advances to farmers keep the company's profitability under check and requirement of working capital facilities high. The financial risk profile remains weak as reflected by PAT loss in FY2019, high gearing (6.04 times as on March 31, 2019) and depressed coverage indicators (Total Debt/EBITDA of 6.19 times in FY2019). However, there was no cash loss in FY19. The company has serviced its debt obligations in FY19, through unsecured loans infused by the promoters.

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.0.12 crore as on March 31, 2019.

About the Company

Incorporated in 2017, Siddhi Vinayak Himghar Pvt Ltd (SVHPL) provides cold storage facilities to farmers and traders. The warehouse is located in the Bankura District of West Bengal with an installed capacity of 170,000 quintals and is used for storage of potatoes by the farmers and traders in that area. Apart from SVHPL, the promoters are also engaged in the business of cold storage through other group companies.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	6.20	9.28
EBITDA	2.02	1.73
PAT	0.16	-0.34
Total Debt	11.38	10.71
Tangible Net worth	2.08	1.77
EBITDA Margin (%)	32.52	18.69
PAT Margin (%)	2.54	-3.62
Overall Gearing Ratio (x)	5.47	6.04

*Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Acuite has moved the rating of SVHPL 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 August 8, 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)	Rating	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.	Issuer Rating	Long Term	NA	IVR B[Is]/ 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.

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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 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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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
Issuer Rating	-	-	-	NA	IVR B[Is]/ Stable Outlook