

Khudiram Cold Storage Private Limited

December 01, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.48	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.10	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	23.58 (Rs. Twenty-Three Crore and Fifty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Khudiram Cold Storage Private Limited (KCSPL) to monitor the rating(s) vide e-mail communications/letters dated November 08 2021, November 24 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Khudiram Cold Storage Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Khudiram Cold Storage Private Limited's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING*/ CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of lack of information and non-receipt of fees.

Rating Sensitivities: Not Applicable

Detailed description of the key rating drivers

At the time of last rating on December 28 2020, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small size of operations

KCSPL is a relatively small player in the cold storage business having total operating income and net profit of Rs.6.29 crore and Rs. 0.21 crore, respectively, in FY20. The total capital employed was also moderate at around Rs.16.03 crore as on March 31, 20. Small scale of operations with low net worth base limits the credit risk profile of the company in an adverse scenario. PBILDT margin which was moderate at 27.83% in FY20 primarily on the back of better operating efficiency translated from absorption of fixed overheads. The operation of the business has not been impacted much due to nationwide lock down. Moreover, the entity has not requested the bank for moratorium interest on working capital facilities for the month of March to August which could be availed under the terms of recent RBI circular and company has not applied for covid-loan and they do not have any plan to apply for it in future. During 8MFY21 the company achieved operating income of Rs.4.30 crore and expected to achieve a operating income of Rs.5.50 Crore in FY21.

Regulated nature of business

In West Bengal, the basic rental rate for cold storage operations is regulated by the state government through West Bengal State Marketing Board. The rent of these cold storages is decided by taking into account political considerations, not economic viability. Due to severe government intervention, the cold storage facility providers cannot enhance rental charge commensurate with increased power tariff and labour charge.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Seasonality of business with susceptibility to vagaries of nature

KCSPL's operation is seasonal in nature as potato is a winter season crop with its harvesting period commencing in March. The loading of potatoes in cold storages begins by the end of February and lasts till March. Additionally, with potatoes having a preservable life of around eight months in the cold storage, farmers liquidate their stock from the cold storage by end of season i.e., generally in the month of November. The unit remains non-operational during the period between December to February. Furthermore, lower agricultural output may have an adverse impact on the rental collections as the cold storage units collect rent on the basis of quantity stored and the production of potato is highly dependent on vagaries of nature.

Risk of delinquency in loans extended to farmers

Against the pledge of cold storage receipts, KCSPL provides interest bearing advances to the farmers & traders. Before the closure of the season in November, the farmers & traders are required to clear their outstanding dues with the interest. In view of this, there exists a risk of delinquency in loans extended, in case of downward correction in potato or other stored goods prices, as all such goods are agro commodities.

Competition from other local players

In spite of being capital intensive, the entry barrier for new cold storage is low, backed by capital subsidy schemes of the government. As a result, the potato storage business in the region has become competitive, forcing cold storage owners to lure farmers by providing them interest bearing advances against stored potatoes which augments the business risk profile of the companies involved in the trade.

Working capital intensive nature of business resulting in leveraged capital structure

KCSPL is engaged in the cold storage business, accordingly its operation is working capital intensive. The same is reflected by the higher working capital requirement for the company and the average utilization for the same remained at about 66% during the last 12 months ended November, 2020. Overall gearing ratio have improved from 1.54x as on Mar.31, 2020 from 3.76x as on March 31, 2019 however, the same remained leveraged as on last two balance sheet dates. Total debt to GCA also improved and remained moderate at 10.61x in FY20 (26.04x in FY19). The interest coverage ratio, have improved in F20 over FY19 mainly on account of decrease in interest expenses however the same remained satisfactory at 2.15x during FY20.

Key Rating Strengths

Experienced management and long track record of operations

The company is into cold storage business since 2004 and thus has long track record of operations of around 15 years. Furthermore the key promoters, Mr. Nimai Chandra Manna (aged about 58 years), and Mr. Dilip Kumar Manna (aged about 58 years) has more than two decades of experience in cold storage industry, looks after the overall management of the company. He is supported by other directors Mr. Ashim Kumar Manna (aged about 48 years) and Mr. L. C. Manna (aged about 43 years) who also has around a decade of experience in this line of business. The promoters are supported by a team of experienced professionals.

Proximity to potato growing area

KCSPL's storing facility is situated in the Midnapore district of West Bengal which is one of the major potato growing regions of the state. The favorable location of the storage unit, in close proximity to the leading potato growing areas provides it with a wide catchment and making it suitable for the farmers in terms of transportation and connectivity.

Liquidity: Not Applicable

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Khudiram Cold Storage Private Limited (KCSPL) was established as a private limited company in 2004. However, the company commenced commercial operation in 2006. KCSPL is owned by the Midnapore (West Bengal) based Manna family having extensive experience of a decade in cold storage industry and over two decades in potato trading. Since its inception, the company provides cold storage services for potatoes. The cold storage unit of the company is located at Midnapore, West Bengal with aggregated storage capacity of 4.3 Lakh quintals per annum.

Mr. Nimai Chandra Manna (aged about 58 years), and Mr. Dilip Kumar Manna (aged about 58 years) has more than two decades of experience in cold storage industry, looks after the overall management of the company. He is supported by other directors Mr. Ashim Kumar Manna (aged about 48 years) and Mr. L. C. Manna (aged about 43 years) who also has around a decade of experience in this line of business. The promoters are supported by a team of experienced professionals.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	8MFY21 (Prov.)
Total operating income	6.42	6.29	4.30
PBILDT	2.12	1.75	NA
PAT	0.11	0.21	NA
Overall gearing (times)	3.76	1.54	NA
Interest coverage (times)	1.73	2.15	NA

A: Audited; Prov.: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: CRISIL Ratings continues to place the rating of KCSPL under Issuer Not Co-operating vide Press release dated January 11, 2021.

ICRA Ratings continues to place the rating of KCSPL under Issuer Not Co-operating vide Press release dated October 20, 2020.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	1.19	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan	-	-	-	-	17.45	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits	-	-	-	-	3.04	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	-	0.10	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	-	1.80	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	1.19	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (28-Dec-20)	1)CARE B+; Stable (08-Nov-19)	1)CARE B+; Stable (15-Oct-18)
2	Fund-based - LT-Working Capital Demand loan	LT	17.45	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (28-Dec-20)	1)CARE B+; Stable (08-Nov-19)	1)CARE B+; Stable (15-Oct-18)
3	Fund-based - LT-Working Capital Limits	LT	3.04	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (28-Dec-20)	1)CARE B+; Stable (08-Nov-19)	1)CARE B+; Stable (15-Oct-18)
4	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (28-Dec-20)	1)CARE A4 (08-Nov-19)	1)CARE A4 (15-Oct-18)
5	Fund-based - LT-Term Loan	LT	1.80	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (28-Dec-20)	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Non-fund-based - ST-Bank Guarantees	Simple
5	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Punit Singhania

Contact no.: +91-33-4018 1620

Email ID: punit.singhania@careratings.com

Relationship Contact

Name: Anwesa Mukhopadhyay

Contact no.: + 91-33- 4018 1637

Email ID: anwesa.mukhopadhyay@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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