

Radhakanta Himghar Private Limited

December 03, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.10 (Reduced from 7.00)	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	6.10 (Rs. Six Crore and Ten Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Radhakanta Himghar Private Limited (RHPL) are constrained by short track record and small scale of operations, leveraged capital structure, regulated nature of business, susceptibility to vagaries of nature and competition from local players. The ratings, however, continues to draw strength from experienced promoters, satisfactory profitability and strategic location of cold storage unit.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations beyond Rs 10 crore on a sustained basis while maintain operating margins at current levels.
- Improvement in overall gearing below 1.50x and TD/GCA below 5.00x on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any unenvisioned debt funded capex leading to significant deterioration in capital structure and debt protection metrics.

Detailed description of the key rating drivers

Key Rating Weaknesses

Short track record and small size of operations

RHPL has started its commercial operations since March 2017 and thus has short operational track record. The scale of operations of the company remained small marked by total operating income of Rs 3.04 crore (Rs 2.98 crore in FY20). The small size restricts the financial flexibility of the company and hinders its economies of scale.

Leveraged capital structure with moderate debt coverage indicators

The debt equity and overall gearing ratios have improved from 0.77x and 2.02x as on March 31, 2020 to 0.45x and 1.57x as on March 31, 2021 but continued to remain leveraged. The improvement is on account of accretion of profits to reserve coupled with decline in total debt levels on the back of gradual repayment of term loan. Consequently, TD/GCA has also improved from 7.94x in FY20 to 6.41x in FY21. PBILDT interest coverage ratio has improved marginally from 3.11x in FY20 to 3.99x 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. Due to government intervention, the cold storage facility providers cannot enhance rental charge commensurate with increased power tariff and labour charge.

Seasonality of business with susceptibility to vagaries of nature

RHPL's operation is seasonal in nature as potato is a winter season crop with its harvesting period commencing in March. Additionally, with potatoes having a perceivable 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 from December to January. 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.

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.

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

Key Rating Strengths

Experienced promoters:

RHPL is managed by Goutam Kumar Pal who has around decade of experience in the same industry through his family business, looks after the day to day operations of the company. He is being supported by the other director Mrs. Sutapa Pal.

Satisfactory profitability margins

The PBILDT margin remained stable and satisfactory at 56.91% in FY21 as against 56.45% in FY20). Further, the PAT margin has also improved from 12.04% in FY20 to 17.17% in FY21 on the back of decline in capital charge and finance cost.

Strategic location of the unit

RHPL's storage facility is situated at Hooghly, West Bengal which is one of the major potato-growing regions of the state. The favourable 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: Stretched

The liquidity position of the company is stretched as there was one instance of overdrawal in the CC limit as on March 31, 2021 which was regularized in 3 days. This apart, the company had earned gross cash accruals of Rs 1.11 crore in FY21 as against debt repayment of Rs 0.75 crore. Further, the average utilization of working capital limit stood at ~41% for the last six months ended September'2021.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Financial Ratios- Non-Financial Sector](#)

[Service Sector Companies](#)

About the Company

Incorporated in December 2015, Radhakanta Himghar Private Limited (RHPL) was promoted by Mr. Dilip Kumar Pal and his family member to set up a cold storage facility in the state of West Bengal with an aggregate storing capacity of 2,01,000 quintal. The company provides cold storage services to the farmers and traders of potatoes. The company is being currently managed by Mr. Goutam Kumar Pal who has around a decade of experience in the same industry through his family business. He looks after the day to day operations of the company and is being duly supported by the other director Mrs. Sutapa Pal.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	Q1/H1FY22 (UA)
Total operating income	2.98	3.04	NA
PBILDT	1.68	1.73	NA
PAT	0.36	0.52	NA
Overall gearing (times)	2.02	1.57	NA
Interest coverage (times)	3.11	3.99	NA

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

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		-	-	Oct'24	1.10	CARE B; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	5.00	CARE B; Stable

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	1.10	CARE B; Stable	-	1)CARE B; Stable (04-Jan-21)	1)CARE B; Stable (29-Nov-19) 2)CARE B; Stable; ISSUER NOT COOPERATING* (05-Sep-19)	1)CARE B+; Stable (10-May-18) 2)CARE B+; Stable (27-Apr-18)
2	Fund-based - LT-Working Capital Demand loan	LT	5.00	CARE B; Stable	-	1)CARE B; Stable (04-Jan-21)	1)CARE B; Stable (29-Nov-19) 2)CARE B; Stable; ISSUER NOT COOPERATING* (05-Sep-19)	1)CARE B+; Stable (10-May-18)

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

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.

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