

Khanpur Cold Storage Private Limited

March 04, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	6.64	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.36	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.00 (Rs. Seven Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Khanpur Cold Storage Private Limited (KCSPL)** to monitor the rating vide e-mail communications/letters dated October 01, 2020, October 19, 2020, November 05, 2020 and November 26, 2020, December 18, 2020 and February 23, 2021 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 publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, **Khanpur Cold Storage Private Limited** has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KCSPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING*/CARE A4; ISSUER NOT COOPERATING***. Further due diligence with the lender could not be conducted.

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

Detailed description of the key rating drivers

At the time of last rating in March 16, 2020 the following were the rating weaknesses and strengths:
(Updated the information available from Ministry of Corporate Affairs)

Key Rating Weaknesses

Small scale of operations: KCSPL is a small player in the domestic cold storage industry marked by total operating income of Rs.4.91 crore with a PAT of Rs.0.86 crore in FY20. Furthermore, the tangible net worth also remained low at Rs.5.69 crore as on March 31, 2020.

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.

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 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.

Risk of delinquency in loans extended to farmers: Against the pledge of cold storage receipts, KCSPL's 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.

Key Rating Strengths

Experienced promoters with long track record of operations: KCSPL's is into cold storage business since 1978 and accordingly has a long track record of operations of four decades. The key director; Mr. Durga Pada Ghosh has four decades of experience in cold storage industry, looks after the overall management of the company. He is supported by other

director Mr. Bidyut Kumar Ghosh, Mr. Swapan Kumar Mukherjee, Mr. Rabindra Nath Ghosh and Mr. Prabhat Kumar Ghosh who also has four decade of experience in this line of business.

Proximity to potato growing area: KCSPL's storing facility is situated at Burdwan and Tarakeshwar (Chaulpatti) of 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.

Satisfactory profitability margins: The profitability margins remained satisfactory marked by PBILDT margin of 30.08% and PAT margin of 17.47% during FY20.

Comfortable capital structure with satisfactory debt coverage indicators: The capital structure of the company remained comfortable marked by overall gearing of 0.94x in FY20. The debt coverage remained satisfactory marked by interest coverage of 8.08x and total debt to GCA of 5.25x during FY20.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Khanpur Cold Storage Private Limited (KCSPL) was incorporated in November 1978 and currently it is being managed by Mr. Durga Pada Ghosh, Mr. Bidyut Kumar Ghosh, Mr. Swapan Kumar Mukherjee, Mr. Rabindra Nath Ghosh and Mr. Prabhat Kumar Ghosh. The company provides cold storage services for potatoes to farmers and traders. It runs two cold storage units in the name of 'K P Cold Storage' (having a storage capacity of 1,45,000 quintals) located at Burdwan district of West Bengal, and 'Khanpur Cold Storage' (having a storage capacity of 2,00,721 quintals) located at Hooghly district of West Bengal. The company is also engaged in trading of potatoes and potatoes seeds and it derived around 38% of revenue from trading activities during FY19 as against 18% in FY18.

Brief Financials (Rs. crore)	31-03-2019	31-03-2020
	12M, A	12M, A
Total operating income	7.13	4.91
PBILDT	1.58	1.48
PAT	0.66	0.86
Overall gearing (times)	1.00	0.94
Interest coverage (times)	3.82	8.08

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Status of non-cooperation with previous CRA: Not applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	1.40	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits	-	-	-	5.02	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	December 2025	0.22	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.36	CARE A4; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	1.40	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (16-Mar-20)	-	-
2.	Fund-based - LT-Working Capital Limits	LT	5.02	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (16-Mar-20)	-	-
3.	Fund-based - LT-Term Loan	LT	0.22	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (16-Mar-20)	-	-
4.	Non-fund-based - ST-Bank Guarantees	ST	0.36	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-Mar-20)	-	-

* Issuer Not Cooperating; 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 Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - LT-Working Capital Limits	Simple
4.	Non-fund-based - ST-Bank Guarantees	Simple

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

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