

Pachimatla Manoj Kumar

October 06, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.28 (Reduced from 9.90)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	9.28 (₹ Nine Crore and Twenty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Pachimatla Manoj Kumar (PMK) is constrained by short track record of operations since commencement of commercial operations, absence of long-term offtake agreement, lower networth base along with the proprietorship nature of constitution with risk of withdrawal of capital.

However, the rating derives strength from short term tie-up of storage agreement with Telangana State Warehousing Corporation Hyderabad (TSWCH), experience & resourcefulness of promoter, locational advantage of property with operational Railway Sidings, presence of escrow mechanism mitigating the flight of capital risk in proprietorship firm along with stable industry outlook.

Rating sensitivities

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

- Improvement in net worth along with long term off take agreement

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

- Elongation of receivable days leading to weakening of credit profile
- Absence of promoter support

Detailed description of the key rating drivers

Key rating weaknesses

Operations & Maintenance Risk

The firms have to maintain handling of grains under stipulated specifications, noncompliance of which can result in penalties being levied by the authority exposing the entity to O&M risk. However, considering simplest nature of operations the management does not foresee any significant increase in expenses.

Highly competitive and fragmented nature of business

The domestic warehousing market is highly fragmented with most of the warehouses having an area less than 10,000sq.ft. Approximately 90% of the warehousing space in the country is controlled by unorganized players, which manage small-sized warehouses with limited mechanization. Fragmented warehousing footprint results in higher average inventory holding, in addition to resulting in higher storage and handling losses, driven by lower level of mechanization.

But lately the sector has been attracting investments from international players which is propelling the formalization of the sector. With respect to the regulatory ecosystem, many state governments are announcing dedicated logistics sector policies.

Proprietorship nature of constitution with risk of withdrawal of capital

The firm being a proprietorship firm is exposed to inherent risk of capital withdrawal by proprietor due its nature of constitution. Any substantial withdrawals from capital account would impact the net worth and thereby the gearing levels.

Key rating strengths

Short term Tie-up of storage agreement with TSWCH

The firm is getting revenue from Telangana State Warehousing Corporation Hyderabad (TSWCH) for entire 16500 MT capacity, through which Food Corporation of India (FCI) is using the storage space for distribution of food grains and other items, the same has been confirmed by the receipts received from the client. However, receiving repeat orders on annual basis from TSWCH is critical from credit perspective.

Experience and resourcefulness of the promoter

Pachimatla Manoj Kumar was established in the year 2020 promoted by Mr. Manoj Kumar Pachimatla (Proprietor). The proprietor's father having more than one decade of experience in agricultural and poultry business.

Locational advantage of property with operational Railway Sidings

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The warehousing unit is constructed in rural area of Nagireddypalli village, which is having Nagireddypalli railway station. The unit is situated close to the train route between Hyderabad-Bibinagar-Nadikudi. It is 53 Km away to Secunderabad Railway Station. The railway siding works have been completed and have commenced operations. The railway sidings are utilized by other warehouse units including our firm aggregating to total warehouse with a capacity of 100,000 MT. Apart from this, the warehouse is in Nalgonda district, which is a horticultural crop growing area having abundant availability of food grains and other materials.

Presence of escrow mechanism mitigating the flight of capital risk in proprietorship firm

The entity must adhere escrow mechanism as per terms of the loan agreement, thereby providing water fall mechanism to be followed for the receipts received from client and payments related to operations and debt servicing obligations. Thereby preventing withdrawal of capital by partners without approval of lenders.

Stable outlook of warehousing industry

Warehousing Market in India states that the demand for good quality state-of-the-art warehouses will be a major requirement in the country given the growing logistics industry. The evolution from storage godowns to multipurpose logistic centres is highly desired. Warehouses form a crucial supply chain element which is key to both customer satisfaction and cost reduction. Warehouses today serve as a stocking point as well as consolidation centers for multiple sourcing locations which provide cross docking facilities to retail distributors, sorting centers for customer deliveries, and assembly facilities for final packaging and bundling.

Liquidity: Adequate

Adequate liquidity of the entity is characterised by healthy cash accruals generation of Rs. 1.28 crore for 6 months of operation against repayment of Rs. 1.08 crore for FY22. The company has free cash and bank balance of Rs 0.25 crore as on March 31,2022. However, infusion of unsecured loans by promoter till stabilization of operations and timely execution of agreement with client are critical from credit perspective.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company

Pachimatla Manoj Kumar is a proprietorship firm and is involved in construction of rural warehouse in 6.035-acre land along with railway siding at Nagireddypalli, Bhongir, Telangana, with a storage capacity of 16,500 MT of food grains or other materials. The construction of the warehouse units is part of total warehouse complex with an aggregate capacity of around 100,000 MT, which are held by the promoter and other family members. The firm is primarily promoted by Mr. Pachimatla Manoj Kumar and 4 other partners belonging to his family. Mr Pachimatla and other members of his family have experience in the field of agricultural. The firm has an arrangement with Telangana State Warehousing Corporation Hyderabad, through which Food Corporation of India (FCI) will use the storage space for distribution of food grains and other items. **The company completed the project and achieved commercial operations on October 01,2021**

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (UA)	Q1FY23 (UA)
Total operating income	0.00	1.22	NA
PBILDT	0.00	1.21	NA
PAT	0.00	0.12	NA
Overall gearing (times)	0.00	9.98	NA
Interest coverage (times)	0.00	2.25	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March-2031	9.28	CARE B+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	9.28	CARE B+; Stable	-	1)CARE B+; Stable (23-Jul-21)	1)CARE B+; Stable (27-Apr-20)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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

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 instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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