

Sangha Refrigeration

June 10, 2021

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	10.22	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total	10.22 (Rs. Ten crore and Twenty Two lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 17, 2020, placed the rating of Sangha Refrigeration (SRG) under the 'issuer non-cooperating' category as SRG had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SRG continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated January 31, 2021, February 10, 2021, and February 20, 2021. 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.

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 rating has been revised on account of non-availability of requisite information due to non-cooperation by SRG with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the rating continues to remain constrained by susceptibility of margins to fluctuation in agro products availability, firm's presence in competitive and fragmented industry with high government regulation and partnership nature of its constitution. The ratings, however, draw comfort from experienced partners.

Detailed description of the key rating drivers

At the time of last rating on [March 17, 2020](#) the following were the rating strengths and weaknesses:

Key rating Weaknesses

Susceptibility of margins to fluctuation in agro products availability

Agro-based industry is characterized by its seasonality, as it is dependent on the availability of agro products, which further varies with different harvesting periods. The firm will procure the agro-products such as fruits and vegetables from farmers and open market. Being agro commodities, these are perishable in nature and their prices are dependent on their availability, which is further dependent on the vagaries of nature (agro-climatic conditions). Any adverse impact on the crop production will adversely affect the profitability as well as growth prospects of the firm.

Fragmented nature of the industry with high level of government regulation

In spite of being capital intensive, the entry barrier for new cold storage is low, backed by capital subsidy schemes of the government. SRG operates in a highly fragmented industry wherein there is presence of a large number of players in the unorganized and organized sectors. There are number of small and regional players catering to the same market which might limit the bargaining power of the firm and exert pressure on its margins. Also, the government intervenes in the market to keep a check on the prices to safeguard the interest of farmers, which in turn limits the bargaining power of the buyers.

Partnership nature of constitution

SCG's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision of the lenders.

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

*Issuer did not cooperate; Based on best available information

Key Rating Strengths

Experienced partners in managing a cold storage

SRG will be engaged in running an integrated cold storage business and is managed by Mr. Hardev Singh Sangha, Mr. Harminder Singh Sangha, Mr. Jang Bahadur Sangha, and Mrs Gurdev Kaur Sangha. Mr. Hardev Singh Sangha, Mr. Harminder Singh Sangha, Mr. Jang Bahadur Sangha, and Mrs Gurdev Kaur Sangha have an industry experience of four decades, around three decades, two & a half decades and three and a half decades respectively which they have gained through their association with SRG and various group concerns. Furthermore, the partners would be supported by a team of experienced and qualified professionals having varied experience in the technical, finance and marketing fields.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology – Manufacturing Companies](#)

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

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

About the firm

Sangha Refrigeration (SRG) was established as a partnership firm in April 2012 and the firm is currently being managed by Mr. Hardev Singh Sangha, Mr. Harminder Singh Sangha, Mr. Jang Bahadur Sangha, and Mrs Gurdev Kaur Sangha. SRG is established with an aim to set up an integrated cold storage facility at Jalandhar, Punjab for procurement, cold storage and distribution of agricultural products such as potatoes, onion, oranges, apples, etc. with proposed storage capacity of 13,966 metric tonne per annum. The commercial operations of the firm was expected to commence from April, 2019.

Covenants of rated instrument / facility: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: 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-Term Loan	-	-	November, 2028	10.22	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	10.22	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (17-Mar-20) 2)CARE B+; Stable (03-Apr-19)	-

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated 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-Term Loan	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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