

## Baba Satyanarayan Himghar Pvt. Ltd.

April 13, 2021

### Rating

| Facilities / Instruments  | Amount (Rs. crore)                                   | Rating <sup>1</sup>   | Rating Action  |
|---------------------------|--|---|--|
| Long Term Bank Facilities | 7.25   | CARE B-; Stable;<br>ISSUER NOT COOPERATING*<br>(Single B Minus; Outlook: Stable<br>ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Facilities          | 7.25<br>(Rs. Seven Crore and Twenty-Five Lakhs Only) |   |  |

Details of facilities in annexure -1

#### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 24, 2020, placed the rating(s) **Baba Satyanarayan Himghar Private Limited (BSHPL)** under the 'issuer non-cooperating' category as BSHPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. BSHPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 01, 2021 April 05, 2021, and April 07, 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. The rating on BSHPL's bank facilities will now be denoted as **CARE B-; Stable; 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.**

#### Detailed description of the key rating drivers

##### Key Rating Weaknesses:

##### **Small scale of operation with moderately low profitability margins**

Baba Satyanarayan Himghar Private Limited is a relatively small player in the cold storage business having total operating income of Rs.2.37 crore (Rs.0.25 crore in FY19) in FY20. However, company reported loss of Rs.0.52 crore in FY20 as against loss of Rs.0.19 crore in FY19. The tangible net worth of the company was at Rs.1.39 crore as on March 31, 2020. The small size restricts the financial flexibility of the company in terms of stress and deprives it from benefits of economies of scale. Due to its relatively small scale of operations, the absolute profit levels of the company also remained low. Furthermore, the profitability margins of the company remained moderately low marked by PBILDT margin of 18.38% (FY19: -1.38%) and PAT margin of -21.80% (FY19: 77.11%) in FY20.

##### **Seasonality of business with susceptibility to vagaries of nature**

The cold storage business is seasonal in nature as potato is a winter season crop with its harvesting period commencing in February. 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. Moreover, 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.

##### **Regulated nature of business**

In West Bengal, the basic rental rate for cold storage operations is regulated by state government through West Bengal State Marketing Board. Due to ceiling on the rentals to be charged it is difficult for cold storage units like Baba Satyanarayan Himghar Private Limited to pass on sudden increase in operating costs leading to downward pressure on profitability.

##### **Risk of delinquency in loans extended to farmers**

Against the pledge of cold storage receipts, Baba Satyanarayan Himghar Private Limited provides advances to farmers. Before the close of the season in November, the farmers are required to pay their outstanding dues, including repayment of the loan taken. In view of this, there exists a risk of delinquency in loans extended to farmers as significant amount of working capital remained blocked in advances given to the farmers. In case of downward correction in potato or other stored goods prices as all such goods are agro commodities which may affect the financial risk profile of the company.

##### **Competitive and fragmented nature of industry**

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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

of the companies involved in the trade. Baba Satyanarayan Himghar Private Limited is mainly into storage of potatoes which is highly fragmented and competitive in nature due to presence of many small players with low entry barriers. In such a competitive scenario smaller companies like Baba Satyanarayan Himghar Private Limited in general are more vulnerable on account of its limited pricing flexibility.

**Working capital intensive nature of business**

Baba Satyanarayan Himghar Private Limited is engaged in the cold storage business; accordingly, its operation is working capital intensive. The company also provides advances to farmers who have stored their agriculture commodities with them. Accordingly, the company require more working capital.

**Moderate Capital structure and weak debt coverage indicators**

The overall gearing ratio of the entity has improved to 0.70x as on March 31, 2020 as compared to 2.08x as on March 31, 2019 on account lower working capital utilization during FY20. However, the debt coverage indicators of the entity remained weak marked by weak interest coverage of -0.99x (-1.98x in FY19) in FY20 and weak total debt to GCA of -208.12x as on March 31, 2020. The interest coverage ratio deteriorated during FY20 on account of lower PBILDT during the period.

**Key Rating Strengths**

**Experienced management & long track record of operations**

Baba Satyanarayan Himghar Private Limited is into cold storage services since May 1978 and thus has long operational track record. Due to long track record of operations of the company, the promoters have gained significant experience in the cold storage industry. The day to day operations of the company are looked after by Mr. Deoshankar Shaw, Mr. Hemanta Kheto, Mr. Naba Kumar Das, Mr. Badal Chandra Patra, Mr. Arup Kumar Ghosh, Mr. Gagan Chandra Aru, Mr. Sanat Ku trading of potatoes business. The benefit derived from the experience directors and healthy relation with farmers is continuing to support the company.

**Proximity to potato growing area**

Baba Satyanarayan Himghar Private Limited's storage facility is located at Hooghly, West Bengal which is one of the major potatoes 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.

**Analytical approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning rating Outlook and credit watch to Credit Ratings](#)

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

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

[Rating Methodology –Manufacturing Companies](#)

**About the Company**

Baba Satyanarayan Himghar Private Limited (BSHPL) was incorporated in May 1978. Since its inception the company is engaged in cold storage services. The company provides cold storage services primarily for potatoes to the farmers and traders on a rental basis. The cold storage unit of the company is located at Sahapur, Tarkeshwar, Hooghly-712410, with a storage capacity of 196265 quintals. Besides providing cold storage facility, the unit also works as a mediator between the farmers and marketers of potato, to facilitate sale of potatoes stored and it also provides interest bearing advances to farmers for farming purpose against potatoes stored. Currently, the company is renovating its existing cold storage unit which was damaged due to fire on February 16, 2018. The day to day operations of the company are looked after by Mr. Deoshankar Shaw, Mr. Hemanta Kheto, Mr. Naba Kumar Das, Mr. Badal Chandra Patra, Mr. Arup Kumar Ghosh, Mr. Gagan Chandra Aru, Mr. Sanat Kumar Adak, Mr. Tapas Dey Kumar, who have significant experience in cold storage and trading of potatoes business. mar Adak, Mr. Tapas Dey Kumar, who have significant experience in cold storage and trading of potatoes business.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) |
|------------------------------|----------|----------|
| Total operating income       | 0.25     | 2.37     |
| PBILDT                       | 0.00     | 0.44     |
| PAT                          | -0.19    | -0.52    |
| Overall gearing (times)      | 2.08     | 0.70     |
| Interest coverage (times)    | -0.04    | 0.99     |

A: Audited

**Status of non-cooperation with previous CRA:** Nil.

**Any other information:** Not Applicable.

**Details of Facilities:** Annexure-1

**Rating History of last three years:** Annexure-2

**Detailed explanation of covenants of the rated facilities:** Annexure-3

**Complexity level of various instruments rated for this Company:** Annexure-4

**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                 | -                | -           | September, 2026 | 3.70                          | CARE B-; Stable; ISSUER NOT COOPERATING*  |
| Fund-based - LT-Cash Credit               | -                | -           | -               | 3.20                          | CARE B-; Stable; ISSUER NOT COOPERATING*  |
| Fund-based - LT-Working capital Term Loan | -                | -           | -               | 0.35                          | 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              | 3.70                           | CARE B-; Stable; ISSUER NOT COOPERATING* | -   | -   | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Feb-20) | 1)CARE B; Stable (14-Dec-18)              |
| 2.      | Fund-based - LT-Cash Credit               | LT              | 3.20                           | CARE B-; Stable; ISSUER NOT COOPERATING* | -   | -   | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Feb-20) | 1)CARE B; Stable (14-Dec-18)              |
| 3.      | Fund-based - LT-Working capital Term Loan | LT              | 0.35                           | CARE B-; Stable; ISSUER NOT COOPERATING* | -   | -   | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Feb-20) | 1)CARE B; Stable (14-Dec-18)              |

\*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 Company**

| 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 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### **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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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**