

Murli Cold Storage Private Limited

March 15, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.97	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total Facilities	9.97 (Rs. Nine Crore and Ninety-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities of Murli Cold Storage Private Limited (MCSPL) continue to remain constrained on account of its Small scale of operations with moderate profitability margins, stretched liquidity during FY21 (refers to period April 01 to March 31), regulated nature of business, seasonality of business with susceptibility to vagaries of nature, Risk of delinquency in loans extended to farmers, competition from other local players. However, the ratings derive strength from comfortable capital structure with moderate debt coverage indicators, extensive experience of the promoter in the industry with long track record of operations, Proximity to potato growing area.

Rating Sensitivities

Positive factors:

- *Sizeable improvement in scale of operations (turnover beyond Rs.10 crore) while maintaining current operating margin on a sustained basis*
- *Sustaining capital structure at below unity*

Negative factors:

- *Any sizeable capex and its increase reliance on external borrowing for funding its working capital requirement which lead to deterioration in capital structure marked by overall gearing ratio of above 5 times on a sustained basis*

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with moderate profitability margins

MCSPL is a small player vis-a-vis other player in the domestic cold storage industry. However, during FY21 total operating income has improved and remained at Rs. 3.24 crore as against Rs. 2.87 crore in FY20. The improvement was on account of higher income from cooling charges as well as drying charges. Further, the profitability margins of the company have also remained moderate marked by PBILDT margin of 15.23% in FY21 as against 17.58% during FY20. The operating margin has deteriorated during FY21 due to increase in power and fuel cost, cost of material consumed as well other service costs. Moreover, the PAT margin has improved to 6.28% during FY21 from 3.13% in FY20 due to decrease in interest and finance charges. However, in absolute terms profitability was low marked by PBILDT and PAT of Rs.0.49 crore and Rs.0.20 crore 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. The rent of these cold storages is decided by considering 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

MCSPL'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, MCSPL 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.

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

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

Extensive experience of the promoter in the industry with long track record of operations

MCSPL is into cold storage business since 1976 and accordingly has a long track record of operations of more than four decades. Mr. Rajesh Kumar Patwari, has more than three decades of experience in cold storage industry, looks after the overall management of the company. He is supported by other director Mr. Neeraj Agarwal who has more than decade of experience in this line of business. The promoters are supported by a team of experienced professionals.

Proximity to potato growing area

MCSPL's storing facility is situated at Cooch Bihar, 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.

Comfortable capital structure with moderate debt coverage indicators

Capital structure remained comfortable as on March 31, 2021 marked by overall gearing ratio of 0.43x as against 2.19x as on March 31, 2020. The improvement was on account of lower debt levels mainly pertains to lower utilization of working capital limit.

Furthermore, due to decrease in debt level and its resultant interest cost during the year, the debt coverage indicators have improved and remained moderate marked by interest coverage of 2.88x and TDGCA of 2.83 years as on March 31, 2021 as against 2.11x and 15.97 years respectively as on March 31, 2020. The interest coverage ratio improved in FY21.

Liquidity: Stretched

Liquidity was stretched marked by low cushion in accruals for managing debt repayment obligation of any major capex planned. The average utilization of working capital limit was around 60% during last 12 month ended on February, 2022. The cash and bank balance stood at Rs.0.41 crore as on March 31, 2020. Net cash flow from operations have turned positive and remained at Rs. 3.31 crore during FY21 as against negative CFO of Rs. 1.73 crore during FY20. The improvement was on account of increase in realization of funds from receivables and inventories.

Analytical approach: Standalone

Applicable criteria:

[Rating Outlook and credit watch](#)

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

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

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

[Rating Methodology-Service Sector Companies](#)

About the Company

Murli Cold Storage Private Limited (MCSPL) was incorporated in September 1976 and presently managed by Mr. Rajesh Kumar Patwari and Mr. Neeraj Agarwal. The cold storage facility of MCSPL is located at Boinchi, Hooghly with aggregated storage capacity of 241836 quintal. The company provides cold storage services for potatoes to the farmers and traders. This apart the company provides interest bearing advances to the farmers & traders against the pledge of cold storage receipts.

Brief Financials (Rs. crore)	31-03-2020(A)	31-03-2021(A)	11MFY22 (Prov.)
Total operating income	2.88	3.24	3.40
PBILDIT	0.51	0.49	-
PAT	0.09	0.20	-
Overall gearing (times)	2.19	0.43	-
Interest coverage (times)	2.11	2.88	-

A: Audited, Prov. – Provisional

Status of non-cooperation with previous CRA: ICRA has continued the ratings assigned to the bank facilities into issuer not-cooperating category vide press release date October 12, 2021 on account of non-availability of requisite information from the company.

Any other information: Not Applicable

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

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer 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-Cash Credit		-	-	-	9.97	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-Cash Credit	LT	9.97	CARE B+; Stable	-	1)CARE B+; Stable (08-Mar-21)	1)CARE B+; Stable (17-Feb-20)	1)CARE B+; Stable (26-Mar-19) 2)CARE B+; Stable (11-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 firm

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	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 Ratings Ltd. 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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