

Singur Cold Storage Private Limited

August 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.50	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.50	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Detailed rationale & Key rating drivers

Singur Cold Storage Private Limited has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on Singur Cold Storage Private Limited's bank facilities will now be denoted as **CARE B+; Stable/ CARE A4; 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(s).

The ratings take into account the working capital-intensive nature of business resulting in leveraged capital structure and weak debt coverage Indicators, small scale of operations, regulated nature of Industry, risk of delinquency in loans extended to farmers, seasonality of business with susceptibility to vagaries of nature and competition from other local players. However, the rating derives strength from experienced management and long track of operations and proximity to potato growing area.

Detailed description of the key rating drivers: At the time of last rating on August 30, 2023 the following were the rating strengths and weaknesses (updated for the information received from Singur Cold Storage Private Limited:

Key weaknesses

Small scale of operations: SCSPL is a relatively small player in the cold storage business having total operating income of Rs.6.55 crore in FY24 (Prov.) vis-à-vis Rs.4.02 crore in FY23 mainly on account of high portion of revenue being derived from rental of potato storage. The small size restricts the financial flexibility of the company in times of stress and deprives it from economies of scale. The total capital employed was also low at around Rs.12.51 crore as on March 31, 2024. Small scale operations with a low net worth base limit the credit risk profile of the company in an adverse scenario. PBILDT margin moderated to 1.79% in FY24 primarily due to increased cost of purchase of potato and lower sales realization. However, the PAT margin has increased to 30.42% in FY24 since the company had realized other non-operating income including income from sale of building, interest received, income from sale of investment, etc.

Working capital intensive nature of business resulting in leveraged capital structure and weak debt coverage indicators: SCSPL is engaged in the cold storage business and accordingly its operation is working capital intensive. The company utilizes working capital limits to give advances to some potato farmers who store their crop in the company's cold storage. Overall gearing ratio improved from 2.06x as on Mar.31, 2023 to 1.31x as on March 31, 2024 due to higher non-operating income. Although, the debt coverage indicators like interest coverage has moderated from 1.26x in FY23 to 0.36x in FY24 (prov) while total debt to GCA has improved from 21.41x in FY23 to 3.36x in FY24.

Regulated nature of industry: In West Bengal, the basic rental rate for cold storage operations is regulated by the state government through West Bengal SLBC (State level Bankers' Committee). The rent of these cold storages is decided by considering various parameters related to pre-harvest and post -harvest costs involved in cultivation and storage. Due to government intervention, the cold storage facility providers cannot increase rental charge commensurate with increased power tariff and labour charge. For FY23, the ceiling price of potato for direct financing the cold storage directly to the farmers at Rs.661 per Quintal.

Risk of delinquency in loans extended to farmers: SCSPL provides interest bearing advances only to farmers & traders who store their potato in the company's cold storage. 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 definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Seasonality of business with susceptibility to vagaries of nature: SCSPL'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 preservable 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 between December to February. Furthermore, lower agricultural output may have an adverse impact on the rental collections as the cold storage units collect rent based on quantity stored and the production of potato is highly dependent on vagaries of nature.

Competition from other local players: Despite being capital intensive, the entry barrier for new cold storage is low, backed by no 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 strengths

Experienced management and long track record of operations: SCSPL started its commencement from 1960 and thus has long track record of operations. Mr. Piyush Mohan Agarwal (Director), he is also a qualified Chartered Accountant and Mr. Shrivats Mohan Agarwal looks after overall management of the company. Mr. Piyush Mohan Agarwal has more than three decades of experience in cold storage business and is supported by a team of experienced professionals who have rich experience in the same line of business.

Proximity to potato growing area: SCSPL's storing facility is situated in the Hooghly district of West Bengal which is one of the major potatoes growing regions of the state. The favourable location of the storage unit, near 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

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

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

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company

Singur Cold Storage Private Limited. (SCSPL), incorporated in the year 1960, is a Kolkata (West Bengal) based company, promoted by the Agarwal family. It is engaged in the business of providing cold storage services to potato growing farmers and potato traders, having an installed storage capacity of 233,710 quintals (present rate of warehouse rent is Rs.177.80/ quintal) excluding wages (Rs 40/quintal which was provided to labour directly and not included in books of accounts) in Singur, Hooghly district of West Bengal. Mr. Piyush Mohan Agarwal (Director) and Mr. Shrivats Mohan Agarwal looks after overall management of the company. Mr. Piyush Mohan Agarwal has more than three decades of experience in cold storage business and is supported by a team of experienced professionals who have rich experience in the same line of business.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	4.02	6.55
PBILDT	0.74	0.12
PAT	0.13	1.99
Overall gearing (times)	2.07	1.31
Interest coverage (times)	1.26	0.36

A: Audited UA: Unaudited P: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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-Bank Overdraft	-	-	-	-	6.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Bank Overdraft	LT	6.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (30-Aug-23)	1)CARE B+; Stable (30-Aug-22)	1)CARE B+; Stable (31-Aug-21)
2	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (30-Aug-23)	1)CARE A4 (30-Aug-22)	1)CARE A4 (31-Aug-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-033- 40181600 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Punit Singhania Associate Director CARE Ratings Limited Phone: +91-033- 40181620 E-mail: punit.singhania@careedge.in
	Souptik Pal Rating Analyst CARE Ratings Limited E-mail: Souptik.pal@careedge.in

About us:

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Disclaimer:

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