

## Protima Alu Company

March 30, 2018

### Rating

| Facilities              | Amount<br>(Rs. crore)                         | Rating <sup>1</sup>                                | Rating<br>Action |
|-------------------------|---|--|------------------|
| Long-term Bank Facility | 6.00  | CARE B+; Stable<br>(Single B Plus; Outlook:Stable) | Assigned         |
| <b>Total</b>            | <b>6.00</b><br><b>(Rupees Six Crore Only)</b> |  |                  |

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of M/s Protima Alu Company is constrained by its constitution as a partnership entity, small scale of operations with low profitability margins, Volatility in the prices of traded materials and exposure to vagaries of nature, fragmented and competitive nature of industry, working capital intensive nature of business and leveraged capital structure with weak debt coverage indicators. However, the aforesaid constraints are partially offset by its experienced management with satisfactory track record of operations and stable demand outlook of potatoes.

Going forward, ability to increase its scale of operation and profitability margins and ability to manage working capital effectively are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### ***Experienced management with satisfactory track record of operation***

M/s. Protima Alu Company has commenced operations from February 2002. Since its inception the entity has been engaged in the trading of potatoes business. The entity has long track record of operations. Over the years, the entity has been able to grow over the years by constantly improving its service. Smt. Susmita Bose (Partner) along with Mr. Bhaktipada Bose (Partner) who has around 20 years and 50 years of experience in the similar line of business look after the day to day operation of the entity.

##### ***Stable demand outlook of potatoes***

India is the second largest producer of potatoes in the world after china. In our daily life we eat potatoes almost every day and have been used as food for more than 10000 years. Potatoes are rich in protein and vitamin B group with high content which can help to enhance the physical conditions and improve the memory ability and clear thoughts. As a result, to eat potatoes regularly makes us healthy. Potato in India has still to transform from simply a vegetable supplement to serious food security option. Among major food crops, it is the crop to address future global food security and poverty alleviation.

#### Key Rating Weaknesses

##### ***Constitution as a partnership entity***

M/s. Protima Alu Company, being a partnership entity, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the partner. Furthermore, partnership entities have restricted access to external borrowing as credit worthiness of partner would be the key factors affecting credit decision for the lenders.

##### ***Small scale of operation with low profitability margin***

M/s Protima Alu Company is a relatively small player in the potato trading business having total operating income and PAT of Rs.11.98 crore and Rs.0.04 crore, respectively, in FY17. This apart, the entity has achieved sale of Rs.9.12 crore

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

during 9MFY18. The total capital employed was also low at around Rs.2.03 crore as on March 31, 2017. Small scale of operations with low net worth base limits the credit risk profile of the entity in an adverse scenario.

***Volatility in the prices of traded materials and exposure to vagaries of nature***

The cultivation of potato happens seasonally and the same is stored for the consumption throughout the year. The prices of potatoes remain lower in the harvesting season whereas in off season the price of the same goes up as per the demand and supply in the market. As the entity procures its traded materials i.e. potatoes throughout the year as per its requirement and therefore the entity is exposed to volatility in prices of traded material. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the entity's operation to vagaries of nature.

***Fragmented and competitive nature of industry***

Trading of potatoes is highly fragmented due to presence of small players owing to lower entry barrier and low technology and capital requirement. Furthermore, low product differentiation also resulted in high competition in the industry. Considering the fragmented and competitive nature of industry, the entity has low pricing power.

***Working capital intensive nature of business***

M/s. Protima Alu Company is engaged in the trading of potatoes business; accordingly its operation is working capital intensive. The entity buys potatoes and stores the same. Accordingly, its inventory period is high and the same is at 196 days. Accordingly the entity requires more working capital. Average utilization of cash credit remained on the higher side at about 95% during last twelve months ending on February, 2018.

***Leveraged capital structure with weak debt coverage indicators***

Capital structure of the entity remained leveraged as marked by overall gearing ratio of 2.40x as on March 31, 2017. Moreover, the debt coverage indicators also remained weak with total debt to GCA ratio of 123.11x in FY17. Interest coverage ratio remained at 1.14x in FY17.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

[Rating Methodology - Wholesale Trading](#)

**About the Entity**

M/s Protima Alu Company was established in February 2002 as a partnership entity by two partners namely, Smt. Susmita Bose, and Mr. Bhaktipada Bose with an objective to enter into trading of potatoes business. The registered address of the entity is located at G. T Road, PO- Memari, Dist- Burdwan, West Bengal. Smt. Susmita (Partner) along with Mr. Bhaktipada (Partner) who has around 20 years and 50 years of experience in the similar line of business look after the day to day operation of the entity.

| <b>Brief Financials (Rs. crore)</b> | <b>FY16 (A)</b> | <b>FY17 (A)</b> |
|-------------------------------------|-----------------|-----------------|
| Total operating income              | 11.77           | 11.98           |
| PBILDT                              | 0.33            | 0.50            |
| PAT                                 | 0.09            | 0.04            |
| Overall gearing (times)             | 2.47            | 2.40            |
| Interest coverage (times)           | 1.65            | 1.14            |

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History (Last three years):** Please refer Annexure-2

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**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-Cash Credit | -                | -           | -             | 6.00                          | 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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1.      | Fund-based - LT-Cash Credit            | LT              | 6.00                           | CARE B+; Stable | -   | -   | -   | -   |

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