

Radhakanta Himghar Private Limited

May 10, 2018

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	10.05 (enhanced from 5.05)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total Facilities	10.05 (Rupees Ten crore and Five lakh only)	-	

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Radhakanta Himghar Private Limited (RHPL) is continues to remain constrained by short track record and small scale of operations, regulated nature of industry, leveraged capital structure with moderate debt coverage indicators, seasonality of business with susceptibility to vagaries of nature and competition from local players. The ratings, however, derive comfort from experienced promoters, satisfactory profitability margins and proximity to potato growing area.

Ability of the company to grow its scale of operations, sustain current profitability margins and efficient management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Short track record and small size of operations: RHPL has started its commercial operations since March 2017 and thus has very short operational track record. Furthermore, the size of operations of the company remained small marked by total operating income of Rs.3.37 crore with a PAT of Rs.0.48 crore in FY18. The tangible net worth of the company was also low at Rs.3.28 crore as on March 31, 2018.

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 taking into account 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.

Leveraged capital structure with moderate debt coverage indicators: The capital structure of the company remained leveraged marked by both debt equity ratio and overall gearing ratio at 1.55x as on March 31, 2018. The debt coverage indicators also remained moderate marked by interest coverage of 3.50x and total debt to GCA of 3.87x in FY18.

Seasonality of business with susceptibility to vagaries of nature: RHPL'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.

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

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

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

Experienced promoters: RHPL is managed by Mr. Dilip Kumar Pal who has more than two decades of experience in the same industry through his family business, looks after the day to day operations of the company. He is being duly supported by the other directors Mr. Anath Bandhu Pal.

Satisfactory profitability margins: The profitability margins of the company remained satisfactory marked by PBILDT margin of 59.64% and PAT margin of 14.12% in FY18.

Proximity to potato growing area: RHPL's storage facility is situated at Hooghly, West Bengal which is one of the major potato growing regions of the state. The favorable 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

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

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

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

About the Company

Incorporated in December 2015, Radhakanta Himghar Private Limited (RHPL) was promoted by Mr. Dilip Kumar Pal and Mr. Anath Bandhu Pal to set up cold storage facility in the state of West Bengal with an aggregate storing capacity of 200000 quintal. The company has setup its cold storage unit with an aggregate cost of Rs.9.00 crore funded at debt equity of 2.00x and the company has started its commercial operations from March 2017.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.32	3.37
PBILDT	0.02	2.01
PAT	(0.42)	0.48
Overall gearing (times)	2.20	1.55
Interest coverage (times)	9.42	3.50

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

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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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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	October 2024	5.05	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	5.05	CARE B+; Stable	1)CARE B+; Stable (27-Apr-18)	-	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable	-	-	-	-

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