

## Radhakanta Himghar Private Limited

September 05, 2019

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	10.05	<b>CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer Not Cooperating)</b>	Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information.
<b>Total</b>	<b>10.05 (Rupees Ten crore and Five lakh only)</b>		

*Details of facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Radhakanta Himghar Private Limited (RHPL)** to monitor the rating vide e-mail communications/letters dated May 10, 2019, June 18, 2019, July 10, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on RHPL'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 ratings.***

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by **Radhakanta Himghar Private Limited (RHPL)** with CARE'S efforts to undertake a review of the rating outstanding. CARE views information non-availability risk as a key factor in its assessment of credit risk.

#### Detailed description of the key rating drivers

At the time of last rating in May 10, 2018 the following were the rating strengths and weaknesses:

##### 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 net profit of Rs.2.01 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.

**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 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.

<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 not cooperating, based on best available information

**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.

**Comment on liquidity position:** The liquidity of the company seems to be moderate as reflected by current ratio of 4.02x as on March 31, 2018. The liquidity is supported by cash and cash equivalent of Rs.0.10 crore as on March 31, 2018.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

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

#### 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	0.60
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

#### 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; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	5.05	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (10-May-18) 2)CARE B+; Stable (27-Apr-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (10-May-18)	-	-

\* Issuer Not Cooperating; based on best available information

**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.

### Contact us

#### Media Contact

Mradul Mishra

Contact no. : +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

#### Analyst Contact:

Name: Rajesh Shaw

Contact no. : +91-033-40581911

Email: [rajesh.shaw@careratings.com](mailto:rajesh.shaw@careratings.com)

#### Business Development Contact

Name: Sambit Das

Contact no. : +91-033 4058 1904

Email ID: [sambit.das@careratings.com](mailto:sambit.das@careratings.com)

#### **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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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