

Sangha Refrigeration

March 17, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	10.22	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer Not Cooperating)	Issuer not cooperating; Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) on the basis of best available information
Total	10.22 (Rs. Ten crore Twenty Two lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sangha Refrigeration to monitor the rating vide e-mail communications dated February 24, 2020 and e mail communications dated February 22, 2020, February 21, 2020, February 20, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information and for monitoring the ratings. The rating on Sangha Refrigeration 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.

Detailed description of the key rating drivers

The rating of the firm has been revised on account of partnership nature of its constitution and firm's presence in competitive and fragmented industry with high government regulation.

Key Rating Weaknesses

Fragmented nature of the industry with high level of government regulation

In spite of being capital intensive, the entry barrier for new cold storage is low, backed by capital subsidy schemes of the government. SRG operates in a highly fragmented industry wherein there is presence of a large number of players in the unorganized and organized sectors. There are number of small and regional players catering to the same market which might limit the bargaining power of the firm and exert pressure on its margins. Also, the government intervenes in the market to keep a check on the prices to safeguard the interest of farmers, which in turn limits the bargaining power of the buyers.

Partnership nature of constitution

SCG's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision of the lenders.

Analytical approach: Standalone

Applicable Criteria

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

[CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

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

[CARE's methodology for manufacturing companies](#)

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

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

*Issuer did not cooperate; Based on best available information

About the company

Sangha Refrigeration (SRG) was established as a partnership firm in April 2012 and the firm is currently being managed by Mr. Hardev Singh Sangha, Mr. Harminder Singh Sangha, Mr. Jang Bahadur Sangha, and Mrs Gurdev Kaur Sangha. SRG is established with an aim to set up an integrated cold storage facility at Jalandhar, Punjab for procurement, cold storage and distribution of agricultural products such as potatoes, onion, oranges, apples, etc. with proposed storage capacity of 13,966 metric tonne per annum. The commercial operations of the firm was expected to commence from April, 2019.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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	-	-	November, 2028	10.22	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	10.22	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 (03-Apr-19)	-	1)CARE B+; Stable (28-Feb-18)	-

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.

Contact us

Media Contact

Mradul Mishra

Contact no.- +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr. Gaurav Gupta

Tel: 0172-4904002

Email: gaurav.g@careratings.com

Business Development Contact

Name: Mr. Anand Jha

Tel: 0172-4904001

Email ID: anand.jha@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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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.

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