

Press Release

Pashupatinath Refrigeration Private Limited

January 08, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.15.00 Cr bank facilities of Pashupatinath Refrigeration Private Limited (PRPL). The outlook is '**Stable**'.

Incorporated in the year 2012, PRPL is a West Bengal based company. The promoters of the company are Mr. Arun Kumar Trivedy and Mr. Biswa Nath Roy. The company provides cold storage facilities for agricultural products, i.e. Potatoes. It has a multipurpose cold storage with 3 chambers each having 5 floors made of wooden planks. The installed capacity of the cold storage is 480000 packets of 50kg each.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PRPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management along with locational advantage**

PRPL was incorporated in the year 2012. The promoters of the company have more than a decade of experience in the same line of business through its group companies. The established track record of operation and extensive experience of the promoters has helped the company to maintain a healthy relationship with its customers. The company enjoys locational advantage as it is located at Suri in Birbhum district of West Bengal which is generally known for potato farming region.

Acuité believes that the company will benefit from the extensive experience of the management and the location of the cold storage unit will be an added advantage for the company.

Weaknesses

- **Average financial risk Profile**

PRPL's financial risk profile is average marked by low net worth, high gearing and average debt protection metrics. The company's net worth is low and is estimated at around Rs.8.57Cr (Prov.) as on March 31, 2020 as against Rs.6.45Cr as on March 31, 2019. The gearing continues to remain high; however, improved to 1.73 times (Prov.) as on March 31, 2020 as against 2.26 times as on March 31, 2019. As on March 31, 2020, total outside liabilities to tangible net worth (TOL/TNW) levels stand at 1.76 times as against 3.12 times as on March 31, 2019. The low profitability level, coupled with moderate debt level, has led to average debt protection measures. The NCA/TD and interest coverage ratio stands at 0.05 times and 1.73 times, respectively in FY2020 (Prov.) as against 0.04 times and 1.43 times in FY2019, respectively. The Debt-EBITDA ratio stands at 9.64 times (Prov.) in FY2020 against 7.28 time in FY2019.

- **Small scale of operation**

The scale of operation of the company stood at relatively low levels. The revenue of the company has remained stagnant from the period FY2018 to FY2020 (Prov.) under the study. The revenue of the company stood at Rs.3.69 Cr (Prov.) in FY2020 as against Rs.3.69Cr in FY2019. EBITDA in absolute term has declined marginally to Rs.1.05Cr (Prov.) in FY2020 as against Rs.1.52Cr in FY2019. The decline in EBITDA was due to increase in the employee cost. However, the company was able to register a profit of Rs.0.18Cr (Prov.) in FY2020 as against losses of Rs.0.01 Cr in FY2019. The operating margin has declined to 28.45 percent (Prov.) from 41.18 percent in FY2019.

Acuité believes that the company's ability to register significant growth in the scale of operations while improving its profitability would be key rating sensitivity.

Liquidity Position: Stretched

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.68 Cr (Prov.) in FY2020 as against the maturing debt obligations of Rs.0.97 Cr during the same period. The cash accrual of the company is estimated to remain around Rs.0.60 Cr to Rs.1.10 Cr during 2021-23 against repayment obligations of around Rs.0.97 Cr to Rs.2.02 Cr during the same period. The average bank limit utilization stood moderate at around 70.17 per cent for six months ended November, 2020. The company maintains unencumbered cash and bank balances of Rs.3.11 Cr (Prov.) as on 31 March 2020. The current ratio of the company stood at 1.01 times (Prov.) as on 31 March 2020 as against 0.91 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low cash accruals to its maturing debt obligation.

Rating Sensitivities

- Substantial improvement in scale of operation, while maintaining the profitability margins
- Any stretch in the working capital cycle leading to increase in working capital borrowings and weakening of financial risk profile

Outlook: Stable

Acuité believes that PRPL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels along with efficient working capital management and significant improvement in the financial risk profile. Conversely, the outlook may be revised to "Negative", if the company faces stretched working capital cycle or fall in revenue or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	3.69	3.69
PAT	Rs. Cr.	0.18	(0.01)
PAT Margin	(%)	4.84	(0.15)
Total Debt/Tangible Net Worth	Times	1.73	2.26
PBDIT/Interest	Times	1.73	1.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Feb-2020	Cash Credit	Long Term	8.58	ACUITE B Issuer Not Co-Operating*
	Term Loan-I	Long Term	2.06	ACUITE B Issuer Not Co-Operating*
	Term Loan-II	Long Term	4.31	ACUITE B Issuer Not Co-Operating*
	Proposed Long Term	Long Term	0.05	ACUITE B Issuer Not Co-Operating*
07-Dec-2018	Cash Credit	Long Term	8.58 (Enhanced from Rs.8.03Cr)	ACUITE B/Stable (Reaffirmed)
	Term Loan-I	Long Term	2.06	ACUITE B/Stable (Reaffirmed)
	Term Loan-II	Long Term	4.31	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	0.22	ACUITE A4 (Withdrawn)
	Proposed Long Term	Long Term	0.05	ACUITE B/Stable (Assigned)
17-Feb-2018	Cash Credit	Long Term	8.03	ACUITE B/Stable (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.22	ACUITE A4 (Reaffirmed)

*The issuer did not co-operate; Based on best available information.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.38 (Enhanced from Rs.8.58 Cr)	ACUITE B/Stable (Reaffirmed)
Term Loan-I	December, 2013	8.20%	December, 2020	0.65 (Revised from Rs.2.06Cr)	ACUITE B/Stable (Reaffirmed)
Term Loan-II	December, 2018	8.20%	December, 2023	3.85 (Revised from Rs.4.31Cr)	ACUITE B/Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.12 (Enhanced from Rs.0.12Cr)	ACUITE B/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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