

Press Release

SWAD AGRO COLD CHAIN PRIVATE LIMITED

Jun 26, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.9.40 Cr. (Enhanced from Rs.7.90 crore)
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.9.40 crore bank facilities of SWAD AGRO COLD CHAIN PRIVATE LIMITED (SAPL).

The downgrade of the rating reflects delays in servicing of its debt obligations, owing to delay in commencement of operations and cost escalation in its project cost.

Swad Agro Cold Chain Private Limited (SAPL), incorporated in 2015, is a Mumbai-based company promoted by Mr. Parvez Qureshi. The company has set up a mechanised meat processing unit at Palghar, Maharashtra with total installed capacity of 2500 sheep/goats per day. The company commenced operations from January 2019.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The company is promoted by Mr. Parvez Iqbal Qureshi who has experience of more than three decades in the industry. Mr. Parvez Iqbal Qureshi is a director in a group company, Barkat Exports Private Limited (BEPL), which is into trading and export of meat for the last twenty five years. Acuité believes that SAPL will benefit from the promoters presence in the industry over the medium term.

Weaknesses

- **Delays in serving debt obligations**

The company has been delaying in servicing of its debt obligations by about 15-20 days for the last six months through May 2019 due to delay in commencement of operations and stretch in its liquidity. Delay in project completion was owing to delay in getting approvals from the Government departments as well as quality certifications and approvals from its clientele. The project was originally envisaged to start operations during April, 2018; however, it got delayed by 9 months and commenced operations in January, 2019. Further, the delay has caused cost escalation by about Rs.7-8 crore which was fully funded by the promoter.

- **Nascent stage of operations**

The company was incorporated in 2015 and commercial operations in January 2019 and reported revenues of Rs.3.84 crore for FY2019. The ability of the company in stabilising the operations would be the key rating factor over the medium term.

• **Regulatory and event risk**

The import of meat products by many of the countries is subject to various regulatory approvals; any change in the trade policies of importing nations will have an adverse impact on the business risk profile of SAPL. The regular quality checks are undertaken by the government representatives from these countries. Also, the approval given by the Indian government for the operations of slaughter house is renewed every year. Acuité believes that regulatory risk is a key rating sensitivity factor on the business and financial risk profile of SAPL.

Liquidity position:

SAPL has poor liquidity marked by delays in debt servicing. Term loan repayment obligations have started prior to the commencement of operations which stretched the liquidity. Further, increase in the project cost from Rs.12.75 crore to about Rs.20.00 crore also led to stretch in liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.01	-	-
EBITDA	Rs. Cr.	-0.00	-	-
PAT	Rs. Cr.	-0.02	-0.00	-
EBITDA Margin	(%)	-30.18	-	-
PAT Margin	(%)	-179.64	-	-
ROCE	(%)	-0.20	-0.06	-
Total Debt/Tangible Net Worth	Times	2.21	1.28	-
PBDIT/Interest	Times	-	-	-
Total Debt/PBDIT	Times	-2785.57	6263.58	-
Gross Current Assets (Days)	Days	5027	-	-

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-May-2018	Cash Credit	Long Term	0.50	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	6.80	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.60	ACUITE B+/Stable (Assigned)
28-Feb-2018	Cash Credit	Long Term	0.50	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	6.80	ACUITE B+/Stable (Reaffirmed)

09-Dec-2016	Cash Credit	Long Term	0.50	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	6.80	ACUITE B+/Stable (Assigned)

***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	2.00	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.23	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE D (Downgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.62	ACUITE D (Assigned)

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About Acuité Ratings & Research:

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