

Press Release

Rajaramsevak Multipurpose Cold Storage Private Limited

April 24, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 12.20 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B/Outlook: Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B**' (read as **ACUITE B**) and short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 12.20 crore bank facilities of Rajaramsevak Multipurpose Cold Storage Private Limited (RMCS).

The rating downgrade is on account of delays in servicing of long term debt obligations during the last three months.

Incorporated in 2012, RMCS is a Kolkata based company promoted by Mr. Shyamal Kumar Dutta, Ms. Rita Chakraborty, Mr. Raja Chakraborty and Ms. Koyana Chakraborty. The company provides cold storage facilities for agricultural products. It has a multipurpose cold storage located near Kolkata with an installed capacity of 183000 quintals.

Incorporated in 2015, Riddhi Siddhi Cold Storage Private Limited (RSCS) is a Kolkata based company promoted by Mr. Jayanta Chatterjee, Mr. Raja Chakraborty and Ms. Koyana Chakraborty. The company provides cold storage facilities for agricultural products. It has a multipurpose cold storage with located at Alipurdwar (West Bengal) with installed capacity of 275000 quintals.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of RMCS and RSCS, together known as Rajaramsevak Group (RG), to arrive at this rating. The consolidation is on account of common management, same line of business, and financial linkages between the entities. Extent of consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Raja Chakraborty has experience of about two decades in the cold storage industry. The other directors have around 5 years of experience in this industry. Mr. Jayanta Chatterjee has around 15 years of experience in this industry.

Weaknesses

- **Delays in debt servicing**

There have been delays in servicing of term loan debt obligations during the last three months ended March, 2019 for around 10 days in case of RMCS and around 12 days in case of RSCS. The liquidity position of the company is stretched evident from the fully utilised cash credit limit.

- **Weak financial risk profile**

The financial risk profile of the group is marked by modest net worth, high gearing and moderate debt protection metrics. The net worth levels of the group stood at Rs. 6.35 crore as on March 31, 2018 as compared to Rs. 4.76 crore in the previous year. The group has high gearing (debt-to-equity) at 4.53 times as on 31 March, 2018 against 5.17 times in the previous year. TOL/TNW stood

high at 4.90 times as March 31, 2018 as compared to 5.42 times as on March 31, 2017. The interest coverage ratio (ICR) stood moderate at 1.98 times in FY2018 and the debt service coverage ratio (DSCR) stood moderate at 1.16 times in FY2018 as compared to 2.18 times and 1.26 times respectively in the previous year. The net cash accrual to Total debt (NCA/TD) stood at 0.1 times in FY18.

• **Working capital intensive nature of operations**

The group's operations are working capital intensive, which is evident from high gross current assets (GCA) of 694 days in FY2018 as against 355 in FY2017, majorly dominated by high inventory of 250 days in FY 2018 and nil debtors in the same year. The high inventory is attributed to the seasonality faced by the vegetable, i.e. potato. The high GCA days also consist of current assets at Rs. 14.82 as on March 31, 2018 as against Rs. 13.69 as on March 31, 2017; which mainly consists of short term loans provided to the farmers.

• **Regulation of prices**

The limits on selling price of agriculture products are fixed by the state government. As a result, the revenue growth depends on the changing government policies. However, the group has three sources of income- rental income, interest income, and the rest from trading of potatoes.

• **Intense competition**

There is an inherent dependence on the weather and agricultural production. The sector is marked by the presence of several mid to big sized players.

Liquidity Position:

The liquidity profile of the group is weak marked by modest net cash accruals as against maturing debt obligations. The group generated cash accruals of Rs.0.31-3.45 crore during the last three years through 2017-18 against maturing long term debt obligations which ranged between Rs.1.87-3.36 crore during the same period. The bank limit of the group remains fully utilised. The group had unencumbered cash and bank balances of Rs.0.54 crore as on March 31, 2018. The current ratio of the group stood low at 0.82 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of modest cash accrual over the medium term.

About the Group

Rajaramsevak group was founded in 2012. The group includes Rajaramsevak Multipurpose Cold Storage Private Limited (RMCS) and Riddhi Siddhi Cold Storage Private Limited (RSCS). The group is engaged in providing cold storage facilities for agricultural products. The group has presence across various districts in West Bengal.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.29	17.71	5.26
EBITDA	Rs. Cr.	4.17	4.92	1.83
PAT	Rs. Cr.	0.72	0.71	(0.87)
EBITDA Margin	(%)	40.54	27.77	34.75
PAT Margin	(%)	7.00	4.00	(16.50)
ROCE	(%)	11.00	10.43	4.78
Total Debt/Tangible Net Worth	Times	4.53	5.17	5.60
PBDIT/Interest	Times	1.98	2.18	1.32
Total Debt/PBDIT	Times	4.51	4.67	11.93
Gross Current Assets (Days)	Days	694	355	1,059

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
23-Apr-2018	Seasonal Cash Credit	Long Term	5.97	ACUITE B / Stable (Assigned)
	Working Capital Loan	Long Term	0.96	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	3.07	ACUITE B / Stable (Assigned)
	Overdraft	Long Term	2.00	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (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
Seasonal Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.97	ACUITE D (Downgraded from ACUITE B/Stable)
Working Capital Loan	Not Applicable	Not Applicable	Not Applicable	0.96	ACUITE D (Downgraded from ACUITE B/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.07	ACUITE D (Downgraded from ACUITE B/Stable)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Downgraded from ACUITE B/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE D (Downgraded from ACUITE A4)

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About Acuité Ratings & Research:

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