

Press Release

V K Sharma Cold Storage

January 07, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.67 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs. 5.67 crore bank facilities of V K Sharma Cold Storage. The outlook is '**Stable**'.

V K Sharma Cold Storage (VSCS) is a partnership firm established in 2016 by Mr. Sandeep Sharma, Mrs. Preeti Sharma, and Mrs. Usha Devi in Agra (Uttar Pradesh). The firm is engaged in providing Cold Storage services to farmers producing potatoes. The firm started its commercial operations only in June 2017. It has total storage capacity of 100 metric tonnes.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Sandeep Sharma and Mrs. Usha Devi have an experience of a decade in providing Cold storage services and in agricultural industry through their association with the family business.

Weaknesses

- **Limited track records of operation with small scale of operation**

VSCS has commenced its operation in June 2017, hence has limited operational track record. The firm's has small scale of operations marked by operating income of Rs.1.61 crore for FY2018 as against Rs.0.27 crore for FY2017. However, the firm has recorded revenue of Rs.1.80 crore till November 2018.

- **Below-average financial risk profile**

The financial risk profile is below average marked by low net worth high gearing and weak debt protection metrics. The net worth stood low at Rs.1.28 crore as on 31 March, 2018 as compare to Rs.1.05 crore in the previous year. The debt-equity stood high at 4.02 times as on 31 March, 2018 compared to 3.40 times in the previous year. The interest coverage ratio stood at 2.10 times in FY2018 as compared to 4.00 times in FY2017.

- **Competition from small and established players**

VSCS operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Outlook: Stable

Acuité believes that VSCS will maintain 'Stable' business risk profile over the medium term from its promoters' extensive experience in the cold storage business. The outlook may be revised to 'Positive' in case the company reports efficient management of farmer credit financing significantly scales up its operations and improves its profitability along with substantial capital infusion leading to better financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of stretch in its working capital cycle, decline in profitability, or any large, debt-funded capital expenditure which can impact the liquidity of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1.61	0.27	0.00
EBITDA	Rs. Cr.	0.83	0.03	0.00
PAT	Rs. Cr.	-0.01	-0.19	0.00
EBITDA Margin	(%)	51.97	11.58	0.00
PAT Margin	(%)	-0.37	-68.05	0.00
ROCE	(%)	7.54	-7.71	0.00
Total Debt/Tangible Net Worth	Times	4.02	3.40	0.00
PBDIT/Interest	Times	2.10	4.00	0.00
Total Debt/PBDIT	Times	5.81	112.70	0.00
Gross Current Assets (Days)	Days	436	1412	0

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>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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)

Not Applicable

*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	1.80	ACUITE B- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.97	ACUITE B- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.92	ACUITE B- / Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE B- / Stable (Assigned)

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About Acuite Ratings & Research:

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