

Press Release

M S Cold Storage

D-U-N-S® Number: 87-823-6994

November 01, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 10.00 crore bank facilities of M S Cold Storage. The outlook is '**Stable**'.

Gujarat based M S Cold Storage is a partnership firm established in April, 2019, the firm has composition of 6 partners led by Mr. Mohammed Yusuf Ismailbhai Tadha who has been actively involved in various business through other entities. The firm is in the process of setting up a cold storage and integrated packing facility for potatoes.

The project is expected to complete by December 2019 and commercial operations are likely to commence by January, 2020. The project is located at Bherunda in Arvalli district of Gujarat with an installed capacity of 5000 metric tonnes.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of M S Cold Storage to arrive at the rating.

Key Rating Drivers

Strengths

- **Entrepreneurial experience of promoters:**

Established in April, 2019, the firm is led by Mr. Mohammed Yusuf Ismailbhai Tadha and supported by 5 other partners comprising friends and family. The partners in the firm have entrepreneurial experience in different agricultural activities. They were previously engaged in businesses involving poultry, fertilizers and were also involved in operating petrol pump and dealing in real-estate. This project of setting up cold storage unit is an important aspect in post-harvest management of agricultural produce for future use. M S Cold Storage thus, provides strong operational linkage between the producers and traders from which they can consolidate their business risks.

Acuite believes that the entrepreneurial experience of the promoters will support M S Cold Storage in near to medium term.

Weaknesses

- **Project Implementation Risk:**

The firm is building a cold storage facility along with integrated packing house at a project cost of Rs. 11.16 crore which is proposed to be funded through a term loan of Rs. 7.74 crore, operational term loan of Rs. 0.30 crore and promoter's contribution of Rs. 3.12 crore. The firm is yet to attain financial closure for the debt component. The storage capacity is planned to be at 5000 metric tonne. The said facility is expected to be ready by December 2019 and commence operations by January 2020. The partners have infused ~ Rs. 2.51 crore as on date with ~80 percent of civil construction and ~60 percent of fabrication work completed, while construction of packing house is at ~20 percent level.

Acuite believes that timely completion of the project without any cost or time overruns would be a key monitorable parameter.

• **Competitive and fragmented industry:**

The firm will be operating in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers. Also, potatoes being an agricultural commodity, its procurement and export is regulated by government in the form of minimum support price and minimum export price respectively.

Acuite believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

Rating Sensitivity:

- Timely completion of project
- Generate adequate cash flows to timely service interest obligations

Material Covenants

Not Applicable

Liquidity: Stretched

M S Cold Storage is expected to commence its commercial operations by January 2020. The firm is yet to achieve a financial closure.

The firm's liquidity profile will be a function of the partners ability to infuse capital in order to service the interest component in a timely manner as the storage facility is not expected to generate steady cashflows over the near term.

Acuite believes that the firm will be dependent on generation of adequate cash flows or infusion of funds by the partners in order to service its debt obligation as per schedule.

Outlook: Stable

Acuite believes that M S Cold Storage will maintain a Stable credit profile over the medium term on the back of their partners' experience in businesses relating to agriculture and allied activities. The outlook may be revised to 'Positive' in case of timely completion of project and commencement of operations along with higher than expected cash flows to support growth. Conversely, the outlook may be revised to 'Negative' in case of any time or cost overruns or in case of delay in attaining financial tie up thereby impacting the viability of the project.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	0.00	0.00	0.00
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	0.00	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	0.00	0.00	0.00

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B/ Stable (Assigned)

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About Acuité Ratings & Research:

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