

Press Release

Kisanmitra Cold Storage Private Limited

July 31, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-' (read as ACUITE double B minus)** on the Rs. 25.00 crore bank facilities of Kisanmitra Cold Storage Private Limited (KCSPL). The outlook is '**Stable**'.

Incorporated in 2013, KCSPL is a Latur, Maharashtra based company engaged in trading of agro commodities and providing cold storage facility to farmers. The day to day operations is managed by its directors, Sanjay Prabhakar Ayachit, Smita Sanjay Ayachit, Usha Hemantkumar Vaidya and Snehal Satish Deshmukh. Company trades in some of the segments like fresh fruit, frozen fruit and oilseeds and pulses in the states like Maharashtra, Gujarat, Karnataka, Madhya Pradesh and Goa.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of KCSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

The company is promoted by its directors, Sanjay Prabhakar Ayachit, Smita Sanjay Ayachit, Usha Hemantkumar Vaidya and Snehal Satish Deshmukh who has an experience of over a decade in the agriculture industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers.

Acuite believes that the company will continue to benefit from its experienced management and established relationships with customers and suppliers.

- **Significant improvement in scale of operations**

The company reported healthy revenue growth marked by operating income of Rs.120.10 crore (Provisional) in FY2020 as against operating income of Rs.30.22 crore in FY2019 and Rs.4.63 crore in FY2018. This is major because of the increase in demand for the agro commodities and sanctioning of working capital facility during FY2020.

Acuite believes that the revenue of the company is expected to improve in FY2021 since there is no impact of COVID-19 on the business and in the industry that the company operates.

- **Comfortable working capital operations**

The company has comfortable working capital operations marked by Gross Current Assets (GCA) of 84 days (Provisional) in FY2020 as against 298 days in FY2019. The inventory and debtor levels stood at 32 and 53 days (Provisional) as on March 31, 2020 as against 91 and 214 days as on March 31, 2019, respectively. However, the bank limits are fully utilised for the last six months ending June, 2020.

Acuite believes that the working capital operations will continue to remain comfortable over the medium term on account of low inventory holding period due to trading nature of the business.

Weaknesses

• Modest profitability

Operating margins of the company deteriorated to 3.18 per cent (Provisional) in FY2020 from 8.24 per cent in FY2019. Further, Profit after Tax (PAT) improved marginally to 0.68 per cent (Provisional) in FY2020 from 0.41 per cent in FY2019.

Acuite believes that the margins are expected to be muted in FY2021 due to demand and supply relationship amidst COVID-19 impact.

• Above average financial risk profile

The financial risk profile is above average, marked by moderate net worth and debt protection measures and gearing. The net worth of the company is moderate at Rs.15.50 crore (Provisional) as on 31 March, 2020 as against Rs.11.29 crore as on 31 March, 2019. This includes unsecured loans of Rs.3.97 crore (Provisional) as on 31 March, 2020 as against Rs.0.57 crore as on 31 March, 2019. The gearing of the company stood moderate at 1.02 times (Provisional) as on March 31, 2020 as against 0.90 times as on March 31, 2019. Total debt of Rs.15.76 crore consists of a term loan of Rs.8.28 crore and working capital facility of Rs.7.49 crore as on 31 March, 2020 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.58 times (Provisional) as on 31 March, 2020 as against 2.55 times as on 31 March, 2019. Interest Coverage Ratio (ICR) stood at 2.38 times (Provisional) in FY2020 as against 2.61 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times (Provisional) as on 31 March, 2020 as against 0.15 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) stood at 2.27 times (Provisional) in FY2020 as against 2.58 times in FY2019.

Liquidity Position: Stretched

KCSPL has stretched liquidity, marked by lower net cash accruals for its maturing debt obligations. The company generated cash accruals of Rs. 2.03 crore (Provisional) in FY2020, Rs. 1.51 crore in FY2019 and Rs. 1.20 crore in FY2018. Its maturing debt obligation in FY2020 was Rs. 2.50 crore (Provisional) and Rs.2.50 crore in FY2019. The company's working capital operations are comfortable as marked by Gross Current Asset (GCA) of 84 days (Provisional) in FY2020. Further, the reliance on working capital borrowing is high; the cash credit limit in the company remains fully utilised during the last 6 months period June, 2020. The company maintains unencumbered cash and bank balances of Rs.0.11 crore (Provisional) as on 31 March 2020. The current ratio of the company stood at 1.86 times (Provisional) as on 31 March 2020.

Acuite believes that the liquidity position of the company will improve to adequate in the near term on the back of an expected increase in scale of operations and the absence of any debt-funded capex.

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is a substantial and sustained improvement in company's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Significant improvement in financial risk profile and working capital operations of the company.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	120.10	30.22
Profit after tax (PAT)	Rs. Crore	0.81	0.12
PAT margin	%	0.68	0.41
Total debt / Tangible Net worth	Times	1.02	0.90
PBDIT / Interest	Times	2.38	2.61

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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)

None.

*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	8.00	ACUITE BB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.41	ACUITE BB-/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.59	ACUITE BB-/Stable (Assigned)

Contacts

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About Acuite Ratings & Research:

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