

**D G Cold Storage Pvt Ltd**

**Brickwork Ratings reaffirms the ratings for the long term and short term bank loan facilities of D G Cold Storage Pvt Ltd (“DGCSPL” or the Company), for an enhanced aggregate amount of Rs. 15.47 crores.**

**Particulars**

Facilities#	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present		Previous 30 September 2019 <sup>^</sup>	Present
<b>Fund Based:</b>					
Cash Credit	9.43	11.30	<b>Long Term</b>	<b>BWR B+ Stable Reaffirmed</b>	<b>BWR B+ Stable, Reaffirmed</b>
Term Loan	3.31	2.55			
GECL	-	1.40			
<b>Non-Fund Based:</b>					
Bank Guarantee	0.22	0.22	<b>Short Term</b>	<b>BWR A4 Reaffirmed</b>	<b>BWR A4 Reaffirmed</b>
<b>Total</b>	<b>12.96</b>	<b>15.47</b>	<b>INR Fifteen Crores and Forty-Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

# Details of Bank Loan facilities are provided in Annexure-I.

<sup>^</sup>Rating moved to Not Reviewed Category on 01 October 2020.

\*\* Issuer did not cooperate, based on best available information.

**RATING ACTION: Rating Reaffirmation with Stable Outlook**

Brickwork Ratings has **reaffirmed** the ratings for the long term bank loan facilities of Rs. 15.25 crores of D G Cold Storage Pvt Ltd at **BWR B+ with a Stable outlook**, and the rating for their short term bank loan facilities of Rs. 0.22 crores at **BWR A4** for Rs. 0.22 Crs (aggregate rated amount enhanced to Rs. 15.47 Crs).

The reaffirmation of the ratings factors in the company’s management experience and long standing market presence, improvement in financial parameters, locational advantage and low customer concentration risk. The rating is however, constrained by the modest scale of operations, weak financial profile, product concentration risk and the regulated nature of industry, as well as intense competition and its presence in a fragmented industry.

The outlook of the company is maintained at stable as the current financial position of the company is not likely to undergo any major change in the near to medium term. The improvement in PAT, Network, Operating and Net profit margin is likely to be sustained.

Brickwork Ratings has relied upon Audited financials of the company for FY 19 and FY 20 along with its projected financials of FY 21 and FY 22, information available in public domain as well as feedback from the company and its bankers for arriving at the present rating.

## **KEY COVENANTS OF THE FACILITY RATED: NA**

## **KEY RATING DRIVERS**

### **Credit Strengths:**

- **Experienced management and long standing market presence:** The Directors, Mr. Dipak Kumar Bose and Mr. Arup Kumar Bose have an experience of more than a decade each in the cold storage industry. Mr. Sanat Kole and Mr. Mrinmay Ghosh have joined the company as directors in FY 20. The Company has a long standing relationship with suppliers and customers due to its long market presence.
- **Improvement in financial parameters:** Company's operating profit margin and net profit margin have improved over the previous year and stood at 34.63 % and 8.21 % respectively in FY 20 against 34.34 % and 3.94 % respectively in FY 19.
- **Locational Advantage:** The cold storage of the company is located in Dhupguri, West Bengal, which is having an advantage in terms of proximity to potato cultivation area, which supports higher demand of rental requirements and lower logistics cost directly to the farmers.
- **Low customer concentration risk:** The company has a diverse customer base which mitigates customer concentration risk and lowers chances of adverse impact on its revenue flows.

### **Credit risks:**

- **Modest scale of operations:** The scale of operations is modest as reflected by total operating income of Rs. 3.60 Crores in FY 20 against Rs. 3.36 Crs in FY 19 and Rs. 3.67 Crs in FY 18. The company is operating at full capacity and the expected increase in revenue is highly dependent on increased rental rates determined by the government.

- **Weak financial profile:** Financial risk profile is marked by low net worth of Rs. 3.41 Crores, high debt-equity of 4.67 times in FY 20, and Total outside liabilities to net-worth at 4.77 times in FY 20.
- **Product concentration risk and regulated nature of industry:** The Company is exposed to agro-climatic risks with its business performance being dependent majorly on a single agro commodity i.e potato, and the regulated nature of the industry makes it difficult to pass on the increase in operating costs to customers, thereby exerting pressure on its profitability.
- **Intense competition and fragmentation in the industry:** This industry has perfect competition among its participants, which is large in number as the capital requirement is limited. The presence of organised and unorganised players in the market raises the level of competition in terms of scale of operations and price offered.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

**Positive:** The rating may be upgraded in case of increase in scale of operations and improvement in margins and debt protection metrics of the company.

**Negative:** Any delays in servicing of debt obligations, deterioration in liquidity and debt protection metrics, may lead to negative rating action.

#### **Liquidity Position: Adequate**

The liquidity position of the company is adequate. Average utilisation of Overdraft limits is about 58.00% in the last ten months (April 2020- January 14, 2020). The ISCR stood at 1.66 times in FY 20 against 1.34 times in FY 19, and DSCR stood at 1.13 times in FY 20 against 0.84 times in FY 19. The company has not availed moratorium facility under COVID from bank. The current ratio stood at 1.02 times in FY 20, as against 0.71 times in FY 19, and the net Cash Accruals of the company stood at Rs. 0.90 crs as on 31 March 2020 against Rs. 0.45 Crs in FY 19. The company will be in a position to service its debt obligations from its operating cash flows. However, the Total cash & cash equivalent balance as on 31 March 2020 was Rs. 4.93 crs against Rs. 5.14 Crs in FY 19.

## COMPANY'S PROFILE

DGCSPL was incorporated on 24 January 2001, with its registered office at Palika Bazar, Burdwan, West Bengal and warehouse at Dhupguri, Jalpaiguri, West Bengal. The company offers warehousing facilities to its clients on rent determined by the Govt of West Bengal (Directorate of Agricultural Marketing). The directors of the company are Mr. Dipak Kumar Bose, Mr. Arup Kumar Bose, Mr. Sanat Kole and Mr. Mrinmay Ghosh.

## KEY FINANCIAL INDICATORS

Improvement in financials, as evident by the improvement in networth position from Rs. 3.12 Crs in FY 19 to Rs. 3.41 Crs in FY 20, and PAT from Rs. 0.13 Crs in FY 19 to Rs. 3.41 Crs in FY 20. ISCR and DSCR of 1.66 times & 1.13 times respectively in FY 20 against 1.34 times & 0.84 times in FY 19.

Key Financial Indicators	Units	FY 20	FY 19
Result Type		Audited	Audited
Operating Revenue	INR Cr	3.60	3.36
EBITDA	INR Cr	1.25	1.15
PAT	INR Cr	0.30	0.13
Tangible Net Worth	INR Cr	3.41	3.12
Total Debt/Tangible Net Worth	Times	4.67	4.39
Current Ratio	Times	1.02	0.71

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawals and suspensions):**

S.No	Name of Instrument	Current Rating - February 2021		Chronology of Rating History for the past 3 years along with outlook/watch , if applicable							
		Type( Long term/ Short Term)	Amount Outstanding (Rs. in Crs.)	Rating	Date(s) & rating(s) assigned in year 2020	Date(s) & rating(s) assigned in year 2019 <sup>^</sup>	Date(s) & rating(s) assigned in year 2018				
1.	Bank Loan Facility	Long Term	15.25	BWR B+ / Stable, Reaffirmed	-	30 Sep 2019		20 July 2018			
						F B	12.74	BWR B+, Stable Reaffirmed	F B	13.28	BWR B+, Stable Reaffirmed
		Short Term	0.22	BWR A4, Reaffirmed with enhancement in rating amount		N F B	0.22	BWR A4 Reaffirmed#	N F B	0.22	BWR A4 Reaffirmed
						Total	12.96		Total	13.50	
<b>Total</b>		<b>15.47</b>	<b>INR Fifteen Crores and Forty-Seven Lakhs Only</b>								

<sup>^</sup>Rating migrated to the “Not Reviewed” category on 01 October 2020.

\* Issuer did not cooperate, based on best available information.

Initial rating of BWR B+, Stable/ A4 was assigned on 29 May 2017 on facility amounting to Rs. 12.36 Crs.

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- General Criteria
- Financial Ratios
- Short Term Debt
- Services Sector

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### D G Cold Storage Pvt Ltd

#### ANNEXURE I

#### Details of Bank Loan Facilities rated by BWR

Sl. No	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1.	Cash Credit	11.30	-	11.30
2.	Term Loan	2.55	-	2.55
3.	GECL	1.40	-	1.40
4.	Bank Guarantee	-	0.22	0.22
<b>Total INR Fifteen Crores and Forty-Seven Lakhs Only</b>				<b>15.47</b>



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