



Rating Rationale

Maa Kaila Devi Cold Storage

27 Feb 2018

Brickwork Ratings assigns BWR B for the Bank Loan Facilities of Rs. 4.47 Cr of Maa Kaila Devi Cold Storage (MKDCS or “the firm”)

Particulars

Facility Rated		Amount # (Rs. Cr)	Tenure	Rating *
Fund Based	Cash Credit	2.20	Long term	BWR B (Outlook: Stable) <i>Pronounced BWR Single B</i> Assigned
	Term Loan	2.27		
Total		4.47	Rs. 4.47 Crores (Rupees Four Crores and Forty seven Lakhs Only)	

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, publicly available information and information clarifications provided by the firm’s management.

The ratings draw strength from the experienced promoters and locational advantages of the cold storage facility. The ratings are constrained by the weak credit profile marked by small scale of operations, low capital and fully eroded profitability and working capital intensive nature of operations due to upfront advances to the farmers at the time of loading of potatoes, which exerts pressure on the liquidity position. The firm is exposed to agro-climatic risks as its performance entirely depends upon a single agro commodity —potato and counterparty risk of loans extended to farmers.

Going forward, the ability of the firm to scale up its operations profitably, improve its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Analytical approach

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

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Key Rating drivers

- **Experienced promoters:** The Partners of the firm have experience of six years in operating the cold storage business.
- **Locational Advantages** The cold storage unit is located in a potato growing area, which ensures continuous business for the firm.
- **Small scale of operations and eroded profitability**
The firm has reported a total revenue of Rs.2.13 Cr in FY17 as against the revenue of Rs.1.68 Cr in FY16. However, the firm's profit has been eroded completely due to the high operational costs.
- **Exposure to agro climatic risks**
Operations of the firm are dependent upon single commodity - potato, making the firm susceptible to agro climatic risks.
- **Stretched receivables due to Counterparty risk of Loans extended to Farmers**
The firm has reported high receivable days of 461 as on 31.03.2017. This is mainly due to the delayed payments from the farmers because of the inability to recover the harvest costs and interest charges over the realised price.

Rating Outlook : Stable

The rating outlook is expected to be stable over the current year. BWR believes **Maa Kaila Devi Cold Storage's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Maa Kaila Devi Cold Storage was established as a partnership firm in 2011 at Dholpur, Rajasthan.. The firm is engaged in providing cold storage facilities to potato growing farmers and traders. .The operations of the cold storage are seasonal in nature. With the harvesting period commencing in February, the loading of potatoes in cold storages begins by the end of February and lasts till March. Further, with potatoes having a limited life even after preservation, farmers liquidate their stock from the cold storage by November. Against the pledge of potatoes, the firm extends interest bearing advances to the farmers which in turn are funded by cash credit from the bank.



Mr. Om Prakash Agarwal, Mr. Murari Lal Agarwal, Mr. Radhe Shyam Garg and Ms. Kalpana Khamthan are the partners of the firm

Financial Performance

The firm reported Net Revenue Rs.2.13 Cr and Rs.0.00 Cr in FY17 as against Net Revenue of 1.63 Cr and PAT of Rs.0.00 Cr in FY16. The firm has a total debt of Rs.5.69 Cr as on 31st March 2017. The firm has reported revenue of around Rs.2.00 Cr for 9MFY18 (provisional).

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Cr)	Rating	2017	2016	2015
1	Cash Credit	Long term	2.20	BWR B (Outlook: Stable) Assigned	Nil	Nil	Nil
2	Term Loan		2.27		Nil	Nil	Nil
Total			4.47	INR Four Crores and forty seven Lakhs Only			

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

[General Criteria](#)
[Service Sector](#)

[Approach to Financial Ratios](#)
[Trading Entities](#)

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Maa Kaila Devi Cold Storage

Bank Facilities

Annexure I

Nature of all facilities			(Rs in Cr)
Bank Name	Facility	Sanctioned Limits	Amount to be Rated
Punjab National, Bank, Bharatpur, Rajasthan	Cash Credit	2.20	2.20
	Term Loan	2.27	2.27
Total (Four Crores and forty seven Lakhs Only)			4.47 *

Annexure II

Key Financial Indicators

	FY17	FY16
Net Revenue (Rs. Cr)	2.13	1.63
EBITDA (Rs. Cr)	0.94	0.56
PAT (Rs. Cr)	0.00	0.00
Partner's Capital (Rs Cr)	4.43	4.25
Total Debt: Partner's Capital (Times)	1.33	1.52
Current Ratio (Times)	1.75	1.54

**For print and digital media**

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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