Rating Rationale

Mohamad Israil Cold Storages Pvt. Ltd.

6 Aug 2018

Brickwork Ratings assigns the long term rating for the Bank Loan Facilities of Rs. 9.50 Crs of Mohamad Israil Cold Storages Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan	**4.00**	**Long Term**	**BWR B+ (Pronounced as BWR Single B Plus) (Outlook: Stable)**
Cash Credit	**5.00**		
Overdraft	**0.50**		
Total	**9.50**	**INR Nine Crores and Fifty Lakhs Only**	

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

Rating: Long Term Rating Assigned

Brickwork Ratings assigned the long term rating of 'BWR B+' with "Outlook: Stable" to the bank loan facilities aggregating Rs.9.50 Crores of Mohamad Israil Cold Storages Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, existence of the company for 8 years, experience of promoters in running the cold storage unit, improvement in profit margins and year on year revenue growth. However the rating is constrained by relatively low scale of operations, the counterparty risk on loans extended to the farmers and intense competition in the industry. Going forward, ability of the company to scale up its operations and to improve its gearing and tangible net worth will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Mohamad Israil Cold Storages Pvt. Ltd. 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.

Analytical Approach

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

Key Rating Drivers

Credit Strengths

- **Year on Year Growth in Revenue:** Total operating income of the Company has increased from Rs. 1.45 Cr in FY16 to Rs. 1.76 Cr in FY17. As per Provisional Financials, the company has achieved income of Rs.3.06 Crores in FY18.
- **Additional Capital Infusion:** The tangible net worth of the company has increased from Rs. 1.22 Crores in FY16 to Rs. 3.62 Crores in FY17 mainly due to additional capital infusion in FY17.
- **Improvement in Profit Margins:** The company has registered operating profit margin of 38.59% and net profit margin of 5.76% in FY17 as against operating profit margin of 35.42% and net profit margin of 0.31% in FY16.

Credit Weaknesses

- **Exposure to Agro Climatic Risk :** The operating income of the company is dependent on agro commodities which are susceptible to agro climatic risk.
- **High Degree of Competition:** Stiff competition from other organized and unorganized players in the industry.
- **Loans extended to farmers -** The Company faces risk associated with delinquency of loans extended to the farmers.

About the Company

Mohamad Israil Cold Storage Private Limited was incorporated in 2010 with registered office in Ara, Bihar. The Company has three Directors namely Mr. Mohamad Khurshid Alam, Mr. Mohamad Raushan Alam and Mr. Mohamad Nausad. The Company is running a cold storage unit in Ara, Bihar with storage capacity of 15430 MT. At present, the company is providing storage facility to store potatoes and fruits such as apples, oranges, grapes, pomegranate, etc.

Company's Financial Performance

The company has registered total operating income of Rs. 1.76 Cr in FY17 as against Rs. 1.45 Cr in FY16. The company has reported operating profit margin of 38.59% and net profit margin of 5.76% in FY17 as against operating profit margin of 35.42% and net profit margin of 0.31% in FY16. Tangible net worth of the company stood at Rs. 3.62 Cr as on March 31, 2017.

Provisionally, the company has achieved operating income of Rs. 3.06 Cr during April 1, 2017 to March 31, 2018.

Parameters	31-Mar-2016	31-Mar-2017	31-Mar-2018
	(Audited)	Audited)	(Provisional)
Total Operating Income (Rs. Crores)	1.45	1.76	3.06
EBIDTA (Rs. Crores)	0.51	0.68	1.56
PAT (Rs. Crores)	0.00	0.10	0.17
Tangible Net Worth (TNW) (Rs. Crores)	1.22	3.62	3.79
TOL : TNW (Times)	3.17	2.42	2.57
Current Ratio (Times)	1.47	1.43	1.24

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	**Term Loan**	**Long Term**	**4.00**	**BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable**	Nil	Nil	Nil
2	**Cash Credit**		**5.00**				
3	**Overdraft**		**0.50**				
Total			**9.50**	**INR Nine Crores and Fifty Lakhs Only**			

Hyperlink/Reference to applicable Criteria

- **Manufacturing Companies**
- **General Criteria**
- **Short Term Debt**
- **Approach to Financial Ratios**

For any other criteria obtain hyperlinks from website

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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

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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