

Rating Rationale

4 Dec 2019

Sambhaji Raje Cold Storage

Brickwork Ratings Revises the ratings for the Bank Loan Facilities of ₹.6.54 Crores of Sambhaji Raje Cold Storage

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July,2018)	Present
Fund based					
Cash Credit	5.00	5.00	Long Term	BWR B- (Stable)	BWR D Downgraded
Term Loan 1	0.00	0.45			
Term Loan 2	0.00	1.09			
Total	5.00	6.54	INR Six Crores and Fifty Four Lakhs Only		

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

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

Rating Action/Outlook

The rating revision to 'BWR D' takes into account delay in servicing of interest on term loan facilities from 30th September 2019 to 2nd December 2019 as confirmed by the lending bank on 3rd December 2019. The rating also factors experience of the promoters, location advantages, small scale of operations, weak financial risk profile, stretched liquidity, nature of composition of business and sensitivity to external factors such as intense competition from organised and unorganised sector.

Key Rating Drivers

The key rating drivers of the firm are as follows:

Credit Risks:

- **Ongoing Delays in Debt Servicing** : Firm has delayed repayments of interest on term loans for a period of over 2 months as confirmed by the banker.

- **Small Scale of Operations:** TOI (comprising rental income and trading income) has drastically reduced to 0.81 cr in FY19 down from 3.93 cr in FY18 (~79%) on account of shift back to regular revenue structure as seen in FY17.
- **Weak Financial Risk Profile:** A low TNW has decreased to 0.58 cr in FY19 from 0.67 cr in FY18 on account of capital withdrawal. TD/TNW is at a very high level at 11.91x in FY19 down from 14.61x in FY18 due to low TNW which has dropped further in FY19 as well as decrease in Total Debt, specifically unsecured Liabilities. ISCR has reduced to 1.94x in FY19 v/s 2.89x in FY18 due to reduction in OPBDIT and simultaneous increase in interest cost while DSCR stood at 0.42x in FY19 down from 2.98x in FY18. NPM decreased to 0.47% in FY19 from 1.83% in FY18 due to lower OPBDITA and higher interest costs. However, OPM has increased to 43.16% in FY19 from 13.81% in FY18 due to reduced operating costs.
- **Stretched Liquidity:** Current Ratio stood at a low level of 1.18x in FY19 down from 1.63x in FY18 due to decrease in Loans and Advances to suppliers. Working Capital facility utilisation remained high with an average fund-based utilisation of 94.96%.
- **Sensitivity to external factors:** The cold storage industry, wherein SRCS operates, is characterised by intense competition both from unorganised and organised players. Also, the proprietorship nature of the constitution exposes the firm to inherent risk of capital withdrawal by the proprietor in the event of personal contingencies

Credit Strengths:

- **Experience of Partners:** The promoter has sufficient experience of over 6 years in the raisin trading market and the cold storage industry.
- **Strategically located unit:** The entity enjoys benefits of lower transportation costs and market access due to its geographic location ie Sangli and Tasgaon in Western Maharashtra, which are among the largest markets for Raisins in India.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

The ability of the concern to ensure regular servicing of debt, increase its scale of operations, improve its capital structure, coverage, profitability and its working capital cycle would be its key rating sensitivity.

Positive: The ratings may be upgraded in case firm maintains a track record of timely servicing of debt for at least 90 days and revenue, profitability, liquidity and capital structure of the company show significant improvement.

Liquidity Position: Stretched

SRCS's Working Capital facility utilisation remained high with an average fund-based utilisation of 94.96% during Nov 18 to October 19 indicating stretched liquidity. Current Ratio stood at 1.18x in FY19. Cash & Cash Equivalent stood at Rs. 0.35 cr.

Firm Profile:

Sambhaji Raje Cold Storage (SRCS), proprietorship concern was established in the year 2013. SRCS is located in Sangli, Maharashtra. SRCS has established a cold storage of capacity 1850 MT and is mainly for storage of raisins. SRCS is promoted by Mr. Sambhaji M. Patil.

Key Financial Indicators (in ₹ Cr)

As per FY19 financials, total operating income of the firm reported at Rs.0.81 Crores as against Rs.3.93 Crores in FY18. Provisional 6MFY20 shows Sales standing at Rs. 0.90 cr. NPM decreased to 0.47% in FY19 from 1.55% in FY18. TNW has decreased to 0.81 cr in FY19 from 3.93 cr in FY18.

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	Rs.cr	0.81	3.93
EBITDA	Rs.cr	0.35	0.45
PAT	Rs.cr	0.01	0.06
Tangible Net Worth	Rs.cr	0.58	0.67
Total Debt/ TNW	Times	11.91	14.61
Current Ratio	Times	1.18	1.63

Non-cooperation with previous rating agency:

ICRA has retained its ratings under Issuer Not Cooperating Category vide press release dated 18th September 2019 on account of the non cooperation by Sambhaji Raje Cold Storage with ICRA's efforts to undertake the review of the outstanding rating.

Rating History

Sr.No	Facilities	Current Rating			Rating History		
		Tenure	Amount (₹ Cr)	Rating	10th July 2018	2017	2016
1	Fund Based	Long Term	6.54	BWR D Downgraded	BWR B- (Stable)	N/A	N/A
	Total		6.54	INR Six Crores and Fifty Four Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

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Sambhaji Raje Cold Storage

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Facilities	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1	Indian Bank, Sangli	Cash Credit	Fund Based	5.00	0.00	5.00
2		Term Loan 1		0.45	0.00	0.45
3		Term Loan 2		1.09	0.00	1.09
TOTAL						6.54

Total Rupees Six Crores and Fifty Four Lakhs only.

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