

## Satya Subal Himghar Private Limited

Instrument	Amount	Rating Action
Fund Based Limits – Term Loan	Rs. 4.28 crore	[ICRA]B assigned
Fund Based Limits – Cash Credit	Rs. 4.66 crore	[ICRA]B assigned
Fund Based Limits – Working Capital Loan	Rs. 0.96 crore	[ICRA]B assigned
Non Fund Based Limits – Bank Guarantee	Rs. 0.10 crore	[ICRA]A4 assigned

ICRA has assigned a long-term rating of [ICRA]B (pronounced ICRA B) to the Rs. 4.28 crore<sup>1</sup> term loan, Rs. 4.66 crore cash credit and Rs. 0.96 crore working capital loan facilities of Satya Subal Himghar Private Limited (SSHPL/the company)<sup>2</sup>. ICRA has also assigned a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 0.10 crore bank guarantee facility of SSHPL.

The assigned ratings take into account SSHPL's small scale of current operations, and its weak financial risk profile as reflected by high gearing, depressed coverage indicators, and subdued return on capital employed. The ratings also consider the high working-capital-intensive nature of operations (due to the upfront advances to be extended to the farmers at the time of loading of potatoes), which exert pressure on the liquidity position. Besides, the company has significant debt-servicing obligations arising out of the term loan availed of to set up the facility, which are likely to keep its cash flows under pressure in the near to medium term. The ratings are further constrained by the regulated nature of the industry, which makes it difficult to pass on the increase in operating costs, exerting pressure on the profitability. SSHPL is also exposed to agro-climatic risks, as its business performance depends entirely upon one agro commodity, i.e. potato. ICRA notes that the company is exposed to the counterparty risk on loans extended to farmers, due to the chances of delinquencies, if potato prices fall substantially.

The ratings, however, derive support from the established track record of the promoters in the cold storage and potato-trading business with an experience of more than two decades in the industry. SSHPL also enjoys location advantage as its cold storage unit is situated in Paschim Midnapore, a district where a large volume of potato is produced.

In ICRA's opinion, the ability of the company to improve its profitability as well as cash accruals while managing its working capital requirements efficiently would be the key rating sensitivities, going forward.

### Company Profile

Incorporated in April 2012, Satya Subal Himghar Private Limited (SSHPL) is promoted by the West Bengal-based Ghosh family. The company provides cold storage facility to potato farmers and traders on a rental basis with a storage capacity of 17,800 metric tonnes (MT). The cold storage unit is located at Baghapukur, in Paschim Midnapore, West Bengal.

### Recent Results

In 2014-15, the company reported a net loss of Rs. 0.11 crore on an operating income of Rs. 3.13 crore; as compared to a net profit of Rs. 0.02 crore on an operating income of Rs. 3.53 crore in 2013-14.

**June, 2016**

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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