

August 30, 2017

Natural Storage Solutions Private Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Non-Convertible Debentures (NCD)	4.00	[ICRA]BB+ (Stable); Reaffirmed
Unallocated Non-Convertible Debentures	4.00	[ICRA]BB+ (Stable); Reaffirmed
Total	8.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed an [ICRA]BB+ (pronounced as ICRA double B plus) rating to the Rs. 8.00 crore¹ proposed Non-Convertible Debentures of Natural Storage Solutions Private Limited (NSSPL)². The outlook on the long-term rating is Stable.

Rationale

The rating reaffirmation factors in the experience of the key promoters spanning over a decade in the cold storage and refrigeration industry, together with its pan India operations. Being an integrated player with technical expertise, providing end-to-end turnkey solutions, in-house manufacturing of diverse products along with established relationships with raw material suppliers provide operational synergies in securing orders across the country as well as internationally.

The rating, however, continues to remain constrained by the company's modest scale of operation with decline in the revenue in FY2017 due to execution of low value orders and average financial risk profile marked by moderate gearing and debt coverage indicators. ICRA notes that the ongoing debt funded capex, for setting up NSSPL's manufacturing facility for producing sorting and grading lines, is likely to result in moderation in debt coverage indicators in the near term. The rating is further constrained by the intense competition in the highly fragmented industry due to low entry barriers; however, with the company being an integrated player, it is relatively well placed. The rating also takes in to account the vulnerability of profitability to any adverse movements in prices of key raw materials, given the project's lead time and fixed price nature of contracts.

Key rating drivers

Credit strengths

- **Experience of promoters** – NSSPL was incorporated in 2009 for designing and manufacturing quality industrial refrigeration applications used in providing turnkey solutions for setting up industrial refrigeration plants across India. The promoters have more than a decade's experience in the cold chain solutions and industrial refrigeration sector.
- **Diversified product offerings** – NSSPL is an integrated player with technical expertise, providing end-to-end turnkey solutions, in-house manufacturing of diverse products, along with established relationships with the raw material suppliers. These factors provide the company with operational synergies in securing orders across the country as well as internationally.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

- **Modest scale of the company with decline in revenues** – The company's scale of operations remained moderate with decline in revenues by ~10% in FY2017 over the corresponding period in the previous year due to execution of lower value orders.
- **Average financial risk profile** - The financial risk profile of the company remains average, marked by moderate gearing levels and debt coverage indicators. Moreover, the company is setting up a new manufacturing facility at Ahmedabad, Gujarat, with production capacity of 60 sorting and grading lines per annum. The same is to be funded through promoters' own fund of Rs. 5.00 crore and borrowed debt worth Rs. 14.66 crore. The predominantly debt funded capex is likely to adversely impact the capital structure and result in moderation in debt coverage indicators in the near term.
- **Intense industry competition** – Intense competitive pressure owing to high fragmentation in the industry due to low entry barriers; however, the company's diversified portfolio mitigates the risk to an extent.
- **Vulnerability of profitability to any adverse fluctuations in raw material prices** – Operating profitability is exposed to fluctuation in prices of key raw materials, given the fact that its major supplies are fixed price in nature. The company also faces limited pricing flexibility.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Natural Storage Solutions Private Limited ('NSSPL' or 'the company') was established as a private limited company in 2009. With its pan India operations, NSSPL is engaged in the designing and manufacturing of industrial refrigeration applications, as well as in providing end-to-end turkey solutions for setting up industrial refrigeration plants. The company has a manufacturing facility and work site at Veraval (Shapar) in Rajkot District of Gujarat. In the current fiscal, the company will begin manufacturing sorting and grading lines at its unit in Ahmedabad, Gujarat, which has a production capacity of 60 lines per annum.

The company operated as Natural Vegetables & Fruits Private Limited earlier, which was subsequently renamed in September 2015 to Natural Storage Solutions Private Limited. NSSPL is currently managed by Mr. Bharat Revar, Mr. Yogesh Dahiya and Mr. Haresh Kacha. Mr. Dahiya, with over 15 years of experience in this field, is the key director overseeing the company's overall functions.

In FY2017, on a provisional basis, the company reported a net profit before taxes of Rs. 2.58 crore on an operating income of Rs. 88.15 crore, as compared to a net profit of Rs. 0.19 crore on an operating income of Rs. 97.49 crore in the previous year.

Key financial indicators (Audited)

	FY2015	FY2016
Operating Income (Rs. crore)	79.38	97.49
PAT (Rs. crore)	1.14	0.19
OPBDIT/ OI (%)	5.25%	5.06%
RoCE (%)	10.73%	13.15%
Total Debt/ TNW (times)	1.52	1.37
Total Debt/ OPBDITA (times)	5.01	3.76
Interest Coverage (times)	2.08	1.84
NWC/ OI (%)	19.37%	19.47%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					August 2017	July 2016	-	-
1	Non-Convertible Debentures (NCD)	Long Term	4.00	4.00	[ICRA] BB+ (Stable)	[ICRA] BB+ (Stable)	-	-
2	Unallocated Non-Convertible Debentures (NCD)	Long Term	4.00	N.A.	[ICRA] BB+ (Stable)	[ICRA] BB+ (Stable)	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Name of the instrument	Date of Issuance/Sanction	Coupon rate	Maturity Date	Amount Details (Rs.)	Current Rating and Outlook
INE527V08015	Non-Convertible Debentures (NCD)	FY2017	17.05% (Fixed)	FY2020	4.00	[ICRA]BB+ (Stable)
	Unallocated Non-Convertible Debentures (NCD)	-	-	-	4.00	[ICRA]BB+ (Stable)

Source: Natural Storage Solutions Private Limited



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