Natural Storage Solutions Private Limited

July 27, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	75.70 (Enhanced from Rs.69.25 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short-Term Bank Facilities	30.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	**105.50 (INR One hundred five crore and fifty lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Natural Storage Solutions Pvt Ltd. (NSSPL) continues to derive strength from its long track record of operation under experienced promoter, coupled with the proven project execution capability with diversified customer profile. The ratings also note its improved business performance in FY23 marked by rise in gross cash accruals and stable cashflow from lease rental agreement entered with PepsiCo India Holdings along with strong order book reflecting satisfactory near to medium term revenue visibility. However, these rating strengths continues to remain constrained by the moderate financial risk profile marked by moderate debt protection metrics, susceptibility of profitability to volatile input prices and high working capital intensive nature of the business.

Key Rating Sensitivities:

Upward factors

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity.
- Improvement in capital structure and in debt protection metrics with improvement in overall gearing below 1.5x and interest coverage to remain over 2.5x.
- Improvement in the operating cycle with improvement in the receivable period leading to improvement in liquidity.

Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Withdrawal of unsecured loan of Rs.19.07 crore leading to deterioration in overall gearing to over 2x and/or moderation in interest coverage ratio below 1.5x.
- Elongation in the operating cycle leading to moderation in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operation under experienced promoter**

The overall operation of the company is looked after by Mr. Yogesh S Dahiya, Managing Director, along with other director Mr. Haresh G Kacha. Both the directors are technically qualified in the line of activity and hold adequate experience of over two decades. The directors are backed by a team of experienced personnel. The company started its operation during 2009, thus enjoying over a decade of operational track record.

- **Proven project execution capability with diversified customer profile**

Over the past years, the company has successfully completed many projects across India and other countries like Senegal, Bhutan, Bangladesh etc. being an integrated player with technical expertise, providing end-to-end turnkey solutions, in-house manufacturing of diverse products. Further, the company caters to customers from diverse geographies and from diverse sectors. Which reduces the dependency on the fate of a particular sector or geography. Majority of the client base consists of companies operating in the food industry, agro processing industry and a few others including chemical and dye industry and engineering sector as well as of farmers.

- **Strong order book reflecting satisfactory near to medium term revenue visibility**

The company has order book position of Rs.197.74 crore (1.44x of FY23 turnover) as on May 15, 2023. The orders are expected to be completed from next three months to two years' time frame, indicating a satisfactory near to medium term revenue visibility.

- **Improved business performance in FY23**

The total operating Income (TOI) of NSSPL has increased to Rs.137.62 core in FY23 (Provisional) from Rs.110.52 crore in FY22, after registering an y-o-y growth of ~24%. The growth was mainly guided by improved orderbook followed by higher execution of work orders coupled with the inflow of lease rental from PepsiCo from FY23. In tandem with TOI, operating profit margin improved in FY23 (Prov.) to ~14.56% as compared to 9.13% in FY22 which is mainly driven by better profitability from lease rental from cold storage facility coupled with decline in raw material procurement price. In line with the EBITDA margin, the PAT margin has also improved to 3.15% in FY23 from 2.13% in FY22. Gross cash accrual in FY23 (Prov.) has also improved to Rs.9.60 crore from Rs.5.40 crore in FY22.

- **Stable cashflow expected from lease rental agreement with PepsiCo India Holdings**

The company has entered into a leasing agreement with PepsiCo India Holdings (PIH) for leasing out and operating a cold storage is located near PIH's chips plant situated near Pune, Maharashtra with a capacity of 15000 MT. The cold storage is designed, erected, owned and operated by NSSPL only. The period of the lease is 10 years. The cold storage is fully operational and as per the agreement the company has started to receive an assured lease rentals as per the agreed terms. Further, the lease rent receivable from PIH is routed through an Escrow Account set up specifically for the repayment of the loan repayment. Moreover, the termination clause of the contract is also in favour of the company.

Key Rating Weaknesses:

- **Moderate financial risk profile marked by moderate debt protection metrics**

Owing to the debt funded capex for commissioning of cold storage at Pune, NSSPL had availed a term loan of Rs.48 crore in FY22. Further in FY23, to support the business operations, the entity has availed GECL and working capital borrowings, which has led to an increase in the total debt in FY23. However, backed by improved Net worth position in FY23 along with the subordinated unsecured loans, the adjusted long-term debt to equity and overall gearing has improved and stood at 1.16x and 1.77x respectively as on March 31, 2023 (Prov.) against 1.27x and 1.80x respectively as on March 31, 2022. Overall indebtedness marked by TOL/ATNW has also improved marginally and stood at 2.86x as on March 31, 2023. Notwithstanding the rise in finance costs in FY23, backed by the increased absolute EBITDA, interest coverage ratio has improved marginally from 1.78x in FY22 to 1.96x in FY23. Further, Total Debt/EBITDA and Total debt/GCA has improved yet remains high at to 4.68x and 9.77x respectively as on March 31, 2023.

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in EPC activities are Mild Steel (MS) steel parts, Polyurethane Foam (PUF) panels, aluminum, chemical and gases, which are usually sourced from large players at proximate distances. Raw material generally comprises ~80%-90% of its cost of sales. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices.

- **High working capital intensity**

The operations of the company remained working capital intensive marked by its moderate average collection period and high average inventory holding period. The average inventory period is high mainly due to high work in process period and maintenance of inventory to manufacture products without any interruption. The working capital cycle of the company remains high at 129 days in FY23 against 130 days of FY22.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals in the range of ~Rs.15 to ~Rs.18 crore as against its debt repayment obligations in the range of ~Rs.8.50 to ~Rs.5 crore during FY24-FY26. Further, the average utilisation of bank borrowings remained moderate at ~79% during the past 12 months ended May 2023 indicating moderate liquidity buffer. However, the liquidity position of the company is restricted due to its high working capital intensity marked by elongated receivable period average inventory days.

About the Company

Natural Storage Solutions Private Limited (NSSPL) was incorporated during 2009 as Natural Vegetables and Fruits Storage Private Limited (NVFS) in Rajkot, Gujarat. Later during 2015, NVFS rechristened as NSSPL. Initially the company was engaged in manufacturing and trading of a wide range of refrigeration and other industrial food processing equipment's.

Currently, with pan India operations, NSSPL is engaged in the designing and manufacturing of industrial refrigeration applications and provides end-to-end turkey solutions for setting up industrial refrigeration plants. Designing and erecting cold storages has been the main activity of NSSPL and along with the same, NSSPL currently manufacturers complex IQF systems, jumbo size sorting and grading lines, affordable harvesters for potatoes, fully automatic and customized conveying systems and many other pre and post-harvest Agro storage and processing equipment's and is also known for its automation and end to end solution providing capabilities. The company installed its manufacturing unit of refrigeration component at Chhatral, near Ahmedabad. The company also exports refrigeration applications to countries like Senegal, Sri Lanka, Bhutan, Bangladesh etc. Day to day affairs of the company is look after by Mr. Yogesh S Dahiya, Managing Director, along with other director Mr. Haresh G Kacha and a team of experienced personnel.

Financials of Natural Storage Solutions Private Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	110.62	137.62
EBITDA	10.10	20.04
PAT	2.39	4.37
Total Debt	85.23	93.80
Adjusted Tangible Net worth	47.27	53.00
EBITDA Margin (%)	9.13	14.56
PAT Margin (%)	2.13	3.15
Adjusted Overall Gearing Ratio (x)	1.80	1.77
Interest Coverage Ratio (x)	1.78	1.96

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June,07, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (March 10, 2021)
1.	Term Loan	Long Term	50.06	IVR BBB- Stable	IVR BBB- Stable	-	IVR BBB- Stable
2.	GECL	Long Term	5.40	IVR BBB- Stable	IVR BBB- Stable	-	IVR BBB- Stable
3.	WCTL	Long Term	3.54	IVR BBB- Stable	IVR BBB- Stable	-	IVR BBB- Stable
4.	Cash Credit	Long Term	16.50	IVR BBB- Stable	IVR BBB- Stable	-	IVR BBB- Stable
5.	Letter of Credit	Short Term	30.00	IVR A3	IVR A3	-	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Indranil Mukherjee Tel: (033) 46022266 Email: indranil.mukherjee@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com

About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Laon	-	-	Oct 2033	50.06	IVR BBB- Stable
Long Term Fund Based Limits – GECL	-	-	Sep 2027	5.40	IVR BBB- Stable
Long Term Fund Based Limits – WCTL	-	-	Nov 2027	3.54	IVR BBB- Stable
Short Term Fund Based Limits – Cash Credit	-	-	-	16.50	IVR BBB- Stable
Short Term Fund Based Limits – Letter of Credit	-	-	-	30.00	IVR A3

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-natural-storage-jul23.pdf

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.