



Press Release

Panchal Agro Fresh

June 23, 2020

Ratings

| S.No | Instrument /Facility | Amount (Rs Crore) | Ratings | Rating Action |
|------|---|----------------------|--|---------------|
| 1. | Long Term Fund Based Facility – Term Loan | 20.16 | IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook) | Assigned |
| 2. | Long Term Fund Based Facility – Cash Credit | 4.19 | IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook) | Assigned |
| | Total | 24.35 | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Panchal Agro Fresh (PAF) draws comfort from its experienced partner's long track of operations and strategic location advantage. However, these rating strengths are partially offset by project execution risk, intense competition prevalent in industry and lack of product differentiation. Further, the rating also notes exposure to agro climatic risk and inherent risk of being a partnership firm.

Key Rating Sensitivities:

Upward Factor:

- Timely completion of the project and earning as realised
- Optimum utilisation of cold storage leading to improvement in profitability metrics and improvement in cash accruals

Downward factor:

- Cost overrun or delay in completion of projects
- Failure to achieve projected revenue and profitability
- Geopolitical disturbance in the area



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced partner's with long track record of operation

The partners are involved in stone crushing business and apple farming, having considerable business experience in Kashmir. They enjoy good reputation and has business links with traders in Kashmir and Delhi, which will support the firm to establish healthy relationship with its customers and suppliers

Location Advantage:

The cold storage is situated in Lassipora, Pulwama which is the cultivation belt for apples. The farmers in the area prefers to store apple in cold storage and to sell in off season.

Key Rating Weaknesses

Project execution risk

The project has significant implementation risk being in the implementing stage and current nascent stage of project execution. Given the targeted timeline for commencement of operation, the project is exposed to the risk of timely completion.

Exposure to agro climatic risk

The firm is engaged in cold storage of apples, an agro commodity which is exposed to the inherent risks in the agro food industry such as susceptibility to diseases, climate change risks, etc.

Intense competition prevalent in industry and lack of product differentiation:

The firm is exposed to intense competition prevalent in the highly fragmented cold storage industry and faces tough competition from both organised and unorganised players. However, the industry faces entry barriers due to high capital investment, technology and infrastructure requirements. Due to lack of end product differentiation and intense competition leads to limiting pricing power and low profitability.



Press Release

Inherent risks for being a partnership firm

Being a partnership firm, it is vulnerable to capital withdrawals by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partner, remain a key to monitor.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The project is in its implementation stage and is expected to commence operations from August, 2020 onwards. The financial closure has already been achieved. The company has sanctioned term loan of Rs 26 crore, to be repaid in monthly instalments commencing after 2 years from the date of first commencement and sanctioned cash credit of Rs 4.19 crore to be availed after completion of project. Further, the company is expected to generate adequate cash accrual during the first four year of operations to meet its debt repayment obligations during the aforesaid period.

About the Company

Panchal Agro Fresh (PAF) is a partnership firm, incorporated in 2018 with Mohammad Shaban Bhat, Rafie Ahmad Bhat and Imran Ahmad Bhat. PAF was set up with the objective to establish cold storage facilities in Pulwama with the installed capacity of 5000MT per annum for storing of apples. The company has own land in the name of managing director measuring 16 kanals at Gund, Achenn Pulwama. The total cost of the project is Rs 41.90 crore, which will be financed through promoter's contribution of Rs 15.90 crore and term loan of Rs 26.00 crore from J&K bank.

The firm is governed by the partnership deed dated Nov 03, 2018. The day-to-day affairs are looked after by Mr. Mohammad Shaban Bhat and other partner's having experience of



Press Release

running a business in Pulwama. They are supported by a team of experienced and qualified professionals in managing the affairs of the company.

The partners of the firm are currently involved in stone crushing business having two stone crushing units by the name & style of M/S Panchal Stone Crusher & M/S S J Constructions both located at Gund, Achenn, Pulwama

Financials (Standalone): N.A

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|-----------------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 1. | Term Loan | Long Term | 20.16 | IVR B+/Stable Outlook | - | - | - |
| 2. | Cash Credit | Long Term | 4.19 | IVR B+/Stable Outlook | - | - | - |

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: sjetly@infomerics.com



Press Release

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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, suspend 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. Crore) | Rating Assigned/ Outlook |
|-------------------------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Bank Facility-Term Loan | - | - | - | 20.16 | IVR B+/Stable Outlook |
| Long Term Bank Facility-Cash Credit | | | - | 4.19 | IVR B+/Stable Outlook |