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Rating Rationale

March 19, 2021 | Mumbai

Vasant Cold and IQF

'CRISIL BB/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.20 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL BB/Stable' rating to the long-term facilities of Vasant Cold and IQF (VCI).

The rating reflects the long-term lease agreement of VCI with Tasty Bites Eatables Ltd (TBEL), assured and steady cash flows and expected adequate debt service coverage ratio (DSCR). These strengths are partially offset by high dependence on a single counterparty and limited track record of operations.

Key Rating Drivers & Detailed Description

Strengths:

- Long-term lease agreement, established counterparty and steady cash flow**

VCI has leased a cold storage to TBEL and receives steady cash flow in the form of monthly rental. The lease agreement has a lock-in period of nine years and rent tenure of 10 years, which mitigates the risk of premature termination of the lease by the lessee. Moreover the lessee, TBEL, is an established player in the consumer packaged foods segment and hence allays the counterparty and delayed payment risk to a large extent.

- Adequate DSCR**

A DSCR of 1.4 times on average is expected over the five fiscals through 2026. The firm has set-up a cold storage warehouse for TBEL and has rented it for 10 years. The assured and stable flow of lease rentals support the DSCR.

Weakness:

- High dependence on a single counterparty**

As the entire lease rent is derived from a single tenant, VCI remains exposed to the risk related to timely payment from the counterparty. Any significant delay in receipt of lease rent or significant deterioration in counterparty's business and/or termination of contract by the tenant may impact the cash flows and debt-servicing ability.

- Limited track record of operations**

The firm was set-up in 2018 and the cold storage unit has been operational since January 2021. Hence the track record and timely rentals from TBEL remain monitorables.

Liquidity: Adequate

The current rental income of Rs 62 lakh per month is sufficient against scheduled monthly debt obligation. Cash flow is likely to be adequate to meet debt obligation over the medium term as well. Average DSCR is expected at 1.4 times over the five fiscals through 2026. A track record of timely receipt of lease rental remains critical.

Outlook: Stable

CRISIL Ratings believes that VCI will continue to benefit from the extensive industry experience of its partners.

Rating Sensitivity factors

Upward Factors

- Sustained improvement in DSCR to over 1.5 times, resulting in sizeable surplus liquidity
- Any substantial debt prepayment

Downward Factors

- Any cost escalation or adverse terms of contract
- Decline in DSCR to below 1.2 times due to reduction in lease rentals or vacancy or higher rate of interest
- Significant delays in payment of lease rentals by the counterparty

About the firm

Established in 2018, VCI is a partnership firm of Mr Sanjay Ramdas Yadav and Mr Umesh Vasantrao Thorat. VCI operates a cold storage facility with capacity of 6000 metric tonne in Daund, Maharashtra. The storage facility was commissioned in January 2021 and is leased to TBEL for 10 years.

Key Financial Indicators

As on/for the period ended March 31	Unit	2020	2019
Operating income	Rs.Crore	NA	NA
Reported profit after tax (PAT)	Rs.Crore	NA	NA
PAT margin	%	NA	NA
Adjusted debt/adjusted network	Times	NA	NA
Interest coverage	Times	NA	NA

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA`	Term loan	NA	NA	Jun-2028	20	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Current				2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	20.0	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Term Loan	20	CRISIL BB/Stable	-	-	-
Total	20	-	Total	-	-

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