

Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' for the Bank Loan Facilities aggregating ₹35.75 Cr to AB Refer Warehousing Private Limited.

On an annual review, Brickwork Ratings (BWR) has reaffirmed the following **Rating¹** for the Bank Loan facilities by State Bank of India to AB Refer Warehousing Private Limited ('ABRWPL' or 'the Company'), previously rated as 'BWR BB' in June, 2013. The rating amount has been increased from ₹ 23.50 Cr to ₹ 35.75 Cr, as detailed below.

Facilities	Previous Limits (₹Cr)	Present Limits (₹ Cr)	Tenure	Rating Reaffirmed	Rating History
Cash Credit	0.00	12.00	Long Term (Fund Based)	BWR BB (Pronounced BWR Double B) Outlook: Stable	BWR BB (Pronounced BWR Double B) Outlook: Stable (June, 2013)
Stand By Loan	0.00	0.25			
Term Loan	23.50	23.50			
Total	23.50	35.75	(INR Thirty Five Crores and Seventy Five Lakhs only)		

BWR has principally relied upon the audited financial results up to FY14, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, established track record of the promoters in the cold storage industry and subsidy receivable from National Horticultural Board. Rating has also factored in Company's derived strength from its group concerns who are in the same line of business. However the rating is constrained by delay in completion of project and high competition. BWR has noted that the banker has taken note of this, and accordingly revised the repayment schedule.

Background:

AB Refer Warehousing Private Limited (ABRWPL) was incorporated in 1998 under the leadership of Mr. Rajinder Garg. Company is in the business of trading in fruits after preserving them in cold storage. ABRWPL has executed a project of cold storage facility under Controlled Atmosphere (CA) for a capacity of 5000 M.T. at Kotla, Baddi in Himachal Pradesh. Company had procured land on lease measuring approximately 12 bighas from Mr. Dinesh Singh, who is other director on Board, for the purpose of establishing Integrated CA cold store. According to the terms of lease, annual lease rent is ₹ 60,000 and the lease period is 20 years. However before expiry of lease, land will be purchased by the Company upon getting approval from HP Govt. authorities. The bank has also stipulated mortgage of the lease-hold rights of this land. Total cost of the project was estimated at Rs. 42.80 Crs (including Working Capital margin), which was to be funded by Bank Loan of Rs. 23.50 Crs and Promoter funding of Rs. 19.30 cr.

Key Updates: ABRWPL has completed the cold storage facility in September 2014. Company is

¹ Please refer to www.brickworkratings.com for definition of the Ratings

yet to start trading of fruits and vegetables. Company will initially store Apples, as Crop season is from Aug-Oct contributing 80% of storage. Company will add on other fruits and vegetables as per their harvesting season. The subsidy from National Horticulture Board of Rs 14.83 Crs was sanctioned and is yet to be released; this will be later adjusted by the banker in the Term Loan.

Management Profile:

Mr. Rajinder Garg, aged 47 years, is the Director of the Company. He is responsible for overall administration, processing & marketing functions and technical supervision in the Company. He is also a Director on board of the other Group concerns- Anubhuti Cold Chains Pvt Ltd, Anubhuti Logistics Pvt Ltd and Anubhuti Apples Pvt Ltd. He is a graduate by qualification and has 24 years of experience in the field marketing of Fruit & Vegetable Processing and cold store chains. Mr. Dinesh Singh, aged 41 years, is also a Director on Board. He is a graduate by qualification and has 16 years of experience in the field growing and marketing of Fruit & Vegetables.

Financial Performance:

As per the audited results of FY14, an amount of Rs. 35.73 Crs has been spent on the project, which is funded by TL of Rs. 23.50 from State Bank of India, and promoters have brought in Rs. 14.13 Crs. Interest during Construction period has been capitalised. Due to delay in completion of project, company has not earned any revenue. Total Debt: Tangible Net worth was at 1.67 X in FY14.

Key Updates: Company has issued 141, 321, 20 equity shares of Rs 10 each fully paid up, which has increased the Tangible Networth from Rs 2.24 Crs in Fy13 to Rs 14.13 Crs in FY14. The company has been approved additional credit facilities from the banker by way of cash credit limit of Rs 12 Crs, and a stand-by loan of Rs. 25 lacs. Repayment of the TL will start in January 2015.

Rating Outlook:

The outlook of the company's is expected to be stable during the current year. The Company's ability to start earning revenues and achieve the projected level of operations, as also follow-up for receipt of subsidy from NHB, which will reduce the size of borrowing and hence interest cost, are the key monitories.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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