Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Loan Facilities aggregating ₹ 7.38 Cr of Anubhuti Cold Chains Pvt. Ltd

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the Bank Loan Facilities of Anubhuti Cold Chains Pvt. Ltd *("the Company")*.

Facility	Bank Name	Amount (₹ Cr)	Tenure	Rating
Fund Based: **Cash Credit**	*State Bank of India*	**6.00**	**Long Term**	**BWR BB** (BWR Double B) **(Outlook: Stable)**
Fund based: **Term Loan**		**1.10**		
Fund based: **Car Loan**		**0.28**		
Total Rated Limits		**7.38**	**(INR Seven Crores & Thirty Eight Lakhs only)**	

The rating has factored, inter alia, the established track record of the promoters in the cold storage industry, location advantage of the plant, significant improvement in financial performance during FY13, good profit margins and strong debt protections metrics of the Company. Improved business and financial risk profile of Anubhuti Group has also been factored into the rating.
The rating, however, is constrained by risks of relatively small scale of business operations, potential interparty transactions with Group concerns, and competition from various unorganised traders in fruit trading business in Himachal Pradesh.

BWR has principally relied upon the audited financial results up to FY13 of Anubhuti Cold Chains Pvt. Ltd, unaudited financial results up to 3QFY14 & projections for FY14 & FY15, and clarifications provided by the Company management.

Background

Incorporated in Oct, 2007, Anubhuti Cold Chains Pvt Ltd is engaged into the business of providing cold storage facility for fruits & vegetables as well as trading of fruits. The registered office of the Company is in Chandigarh. Their main business is to facilitate the interested growers of various kinds of Himachal fruits by providing them the storage facility for the Agro products in CA (Controlled Atmospheric) /MA (Moderate Atmospheric) Chambers. For this, the Company buys various kinds of Himachal fruits from farmers and whole sale markets during crop season on negotiated prices and then sells the said fruits in different areas of the country after properly sorting, grading, packing and separating the fruits stored in CA Chambers.

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

The Company is a Group concern under "Anubhuti Group". Other Companies under this Group are Anubhuti Logistics Pvt Ltd, Anubhuti Apples Pvt Ltd (rated BWR BB (Outlook: Stable)) and AB Refer Warehousing Pvt Ltd (rated BWR BB (Outlook: Stable)). All Companies are promoted by Mr. Rajinder Garg and all are essentially into the same line of business of running of cold storage with Controlled Atmosphere (CA) technology at Punjab and H.P for storage of various fruits and vegetables.

Shareholding Pattern

As of December 31, 2013, Mr. Rajinder Garg held 35% stake in the Company followed by other Garg family members and relatives (65%).

Management

Mr. Rajinder Garg, aged 48 years, is the Managing 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 all the other Group concerns. He is a graduate and has 23 years of experience in the field marketing of Fruits & Vegetables, Food Processing and cold store chains.

Mr. Jai Bansh Khan, aged 49 years, is also a Director on Board. He is a graduate and has 5 years of experience in the field of growing and marketing of Fruits & Vegetables.

Summary snapshot of Group concerns

As of March 31, 2013, the combined turnover of Anubhuti Cold Chains Pvt. Ltd, Anubhuti Logistics Pvt. Ltd and Anubhuti Apples Pvt. Ltd stood at ₹ 90.14 Cr, and all the three companies were profitable with low gearing. AB Refer Warehousing Pvt. Ltd is a new project of the Group for setting up of cold storage facility under Controlled Atmosphere (CA) for a capacity of 5000 M.T. As reported by the Company's management, the project is expected to be operational by end of March, 2014.

Plant Details

The Company's cold storage facility is located at Village Mubarikpur, Distt. Mohali (P.B). The plant location is well connected by road to facilitate movement of apples and other fruits after storing in CA chambers to ensure long shelf life. The site is situated near other fruit growing hubs such as Chandigarh, Mohali, Jhansla and Ramghar.

The Company has Cold storage chambers & Repining unit with the capacity of 900 M.T and 140 MT. The plant's integrated storage capacity is at 3500 M.T. It has sufficient open space for keeping the various kinds of vegetables and fruits inside in the unit. The Company has earmarked separate chambers for all fruits and vegetables. The unit has five floors in the cold room Chamber and two additional Cold Room chambers with two floors for allocation of Bulk

Fruits & Seasonal fruits. While bulk fruit stored in chambers shall be rotated twice in a year for sale after ripening the seasonal fruits shall be rotated several times a year. The Company has plans to acquire refrigerated vans to avoid damage to the sensitive crop during transit from one place to another, till it reaches the end user. The plant has facility for forced-air pre-cooling of fresh fruits on arrival, before putting them in CA chambers.

Financial Performance

Total turnover of the Company grew from ₹ 20.78 Cr in FY12 to ₹ 31.23 Cr in FY13. Operating expenses grew by ~34% to ₹ 26.49 Cr in FY13, which is in line with growth in income. The total turnover also includes other income of ₹ 1.67 Cr in FY13 from commodity trading from commodity (fruits & vegetables) trading business. Profit after tax grew significantly from ₹ 0.20 Cr in FY12 to ₹ 3.21 Cr in FY13. The Company's operating profit and profit after tax margins stood at 15.16% and 10.27% respectively in FY13.

The Company's tangible net worth improved to ₹ 5.12 Cr in FY13 from ₹ 2.22 Cr in FY12. This includes issued share capital of ₹ 1.49 Crores and Reserves and Surplus of ₹ 3.63 Cr. Total borrowings were at ₹ 4.94 Cr in FY13 when compared to ₹ 4.35 Cr in FY12. The total borrowings/ Tangible net worth stood at 0.96 times in FY13. ISCR and DSCR were comfortable at 7.93 x and 6.18 x respectively in FY13. ROCE and current ratio were also at comfortable levels during FY13.

As of January 31, 2014, as reported by Company's management, Revenues and Profit before tax stood at ₹ 37.07 Cr and ₹ 3.23 Cr respectively. Total net worth stood at ₹ 8.35 Cr.

Rating Outlook

Established track record of the promoters in the cold storage and fruits trading industry, and improved business and financial profiles of the Group concerns are the key positives for the Company. Since all the Group concerns essentially have the same business profile, there is potential for intra-group transactions. The Company's ability to sustain competition with other similar businesses, ability to generate projected revenues and profits and to be able to service the debt obligations in time would be the key rating sensitivities.

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