

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB' for the Bank Loan Facilities aggregating ₹ 7.26 Cr of Anubhuti Logistics Pvt. Ltd

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of Anubhuti Logistics Pvt. Ltd (*"the Company"*).

Facility	Bank Name	Amount (₹ Cr)	Tenure	Rating
<b>Fund Based:</b> Cash Credit	State Bank of India	<b>5.00</b>	<b>Long Term</b>	<b>BWR BB</b> (BWR Double B)  <b>(Outlook: Stable)</b>
<b>Fund Based:</b> Term Loan		<b>2.26</b>		
<b>Total Rated Limits</b>		<b>7.26</b>	<b>(INR Seven Crores &amp; Twenty Six Lakhs only)</b>	

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 risk 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 and Punjab.

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

### Background

Incorporated in Dec 2010, Anubhuti Logistics 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 price 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.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The Company is a Group concern under “Anubhuti Group”. Other Companies under this Group are Anubhuti Cold Chains 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 51% stake in the Company followed by other Garg family members and relatives (49%).

### **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. Raj Kumar, aged 53 years, is also a Director on Board. He is a B Tech and has 7 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 Logistics Pvt Ltd, Anubhuti Cold Chains Pvt Ltd and Anubhuti Apples Pvt Ltd stood at ₹ 90.14 Crores, 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 a plant of CA (Controlled Atmospheric) /MA (Moderate Atmospheric) Chambers with the capacity of 940 M.T to store different types of Fruits and Vegetables. The plant 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 plant has set up 20 Chambers for both Bulk Fruits & Seasonal fruits and has allocated three chambers each for various bulk fruits and 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 its 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 ₹ 8.54 Cr in FY12 to ₹ 31.54 Cr in FY13. Operating expenses grew from ₹ 7.96 Cr in FY12 to ₹ 26.55 Cr in FY13, which is in line with growth in income. The total turnover also includes other income of ₹ 1.42 Crores in FY13 from commodity trading from commodity (fruits & vegetables) trading business. Profit after tax grew significantly from ₹ 0.09 Cr in FY12 to ₹ 2.91 Cr in FY13. The Company's operating profit and profit after tax margins stood at 15.18% and 9.24% respectively in FY13.

The Company's tangible net worth improved to ₹ 6.63 Cr in FY13 from ₹ 2.63 Cr in FY12. This includes issued share capital of ₹ 1.17 Cr and Reserves and Surplus of ₹ 5.46 Cr. Total borrowings were at ₹ 7.40 Cr in FY13 when compared to ₹ 5.82 Cr in FY12. The total borrowings/ Tangible net worth stood at 1.12 x in FY13. ISCR and DSCR were comfortable at 5.82 x and 3.42 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 ₹ 29.77 Cr and ₹ 2.56 Cr respectively. Total net worth stood at ₹ 9.19 Cr.

### Rating Outlook

Established track record of the promoters in the cold storage and fruits trading industry, and improved business and financial profile 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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