

Rating Rationale

Brickwork Ratings assigns ‘BWR BB’ for the Bank Loan Facilities amounting ₹ 23.50 Cr of AB Refer Warehousing Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 23.50 Cr of AB Refer Warehousing Pvt. Ltd.

Facility	Bank Name	Amount (₹ Cr)	Tenure	Rating
Term Loan	State Bank of India	23.50	Long Term	BWR BB (BWR Double B) (Outlook: Stable)
Total Rated limits		23.50	Rupees Twenty Three Crores Fifty Lakhs only	

The rating has factored, inter alia, the established track record of the promoters in the cold storage industry and business of fruits trading, about a third of the funds already brought in by the promoters towards their contribution to the project, project completion expected by end of August of this year, and eligibility for 50% of capital investment subsidy to the project from National Horticulture Board.

The rating, however, is constrained by risk of timely project execution including the technology part, relatively small scale of operations of the Group concerns in cold storage industry, and competition from various small traders in fruit trading business in Himachal Pradesh.

BWR has principally relied upon the audited financial results up to FY13 of the Group concerns of AB Refer Warehousing Pvt Ltd & projections of the financial performance of the new project of as submitted to Bank, and clarifications provided by the Company management.

Background

ABRWPL was incorporated as private limited Company in September, 2012, primarily for the business of trading in fruits after preserving them in cold storage with Controlled Atmosphere (CA). Mr. Rajinder Garg and Mr. Dinesh Singh are the co-promoters of the Company. ABRWPL is executing a project for setting up of cold storage facility under Controlled Atmosphere (CA) for a capacity of 5000 M.T. at Kotla, Baddi, Himachal Pradesh. The Company 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 works out to be ₹ 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. The

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

project will be set up on this land which is also eligible for subsidy benefits to be granted by NHM/ NHB and Govt of HP.

Mr. Rajinder Garg is the promoter of Anubhuti Group which comprises of three Companies- Anubhuti Cold Chains Private Limited, Anubhuti Logistics Private Limited and Anubhuti Apples Pvt Ltd. All the three Group concerns are into the same line of business of running of cold storage with Controlled Atmosphere (CA) technology at Punjab and H.P for storage of fruits, especially apples.

Shareholding Pattern

As of March 31, 2013, Mr. Rajinder Garg held 40% of shareholding in the Company followed by Mr. Dinesh Singh (25%) and others such as friends and relatives (35%).

Management

Mr. Rajinder Garg, aged 46 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 23 years of experience in the field marketing of Fruit & Vegetable Processing and cold store chains.

Mr. Dinesh Singh, aged 40 years, is also a Director on Board. He is a graduate by qualification and has 15 years of experience in the field growing and marketing of Fruit & Vegetables.

Summary snapshot of Group concerns

The combined turnover of Anubhuti Cold Chains Private Limited, Anubhuti Logistics Private Limited and Anubhuti Apples Pvt Ltd is around ₹ 92 crores, and all the three companies are profitable with low gearing.

Project Details

The proposed cold storage is located at a distance of 30 km from Chandigarh in Baddi, H.P. The plant location is well connected by road to facilitate movement of apples and other fruits after storing in CA store to ensure long shelf life. The Company has plans to set up 24 chambers of various sizes for both bulk fruits and seasonal fruits. According to the Company, while bulk fruits stored in Chambers shall be rotated twice in a year for sale after ripening, the seasonal fruits shall be rotated once a year resulting in a sale of 5000 MT of bulk fruits and seasonal fruits per year.

Cost of the project (excluding land cost, as it is leased) is ₹ 42.80 Crores, and is proposed to be funded by bank term loan of ₹ 23.50 Crores and promoters' equity of ₹ 16.30 Crores, with a

Debt/ Equity ratio of 1.62:1. The term loan is stipulated to be repaid in 81 months (including moratorium period of 9 months) and repayment will commence from April 2014.

Current Status of the Project

Out of the total estimated funding, so far bank has already disbursed ₹ 9.56 Crores and promoters have contributed equity capital of ₹ 5.59 Crores. The project will be operational by end of August, 2013. The Company has already made advance payments of approximately ₹ 9.00 Crores for purchase of machinery (Puff Panel), cooling refrigerators and transformers.

Financial Performance

According to the Company, project is expected to be complete by August, 2013, and hence, there are no financial details to be disclosed, except about the amount raised and spent towards the project, which is given above.

The projected financials are summarized in the Annexure 1, 2 and 3 below.

Rating Outlook

Established track record of the promoters in the cold storage and fruits trading industry, and adequate financial profile of the Group concerns are the key positives for the Company. Project completion and successful commissioning of the plant would be a critical factor. Since all the Group concerns including ABRWPL essentially have the same business profile and there is good competition with other similar businesses, ability of the Company to generate projected revenues and profits, to be able to service the term loan obligations in time would be the key factors to be monitored.

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AB Refer Warehousing Pvt. Ltd.

Annexure 1

Projected Profit & Loss

₹ Crores

Particulars	2014	2015	2016	2017	2018
Net sales	31.16	44.00	49.50	55.00	55.00
Cost of Sales					
Raw materials	21.39	30.20	33.98	37.75	37.75
Power and fuel	0.82	0.93	1.05	1.16	1.16
Direct labour	0.30	0.42	0.44	0.46	0.46
Other Misc. Expenses	0.14	0.20	0.22	0.25	0.25
Depreciation	2.25	4.15	3.49	2.95	2.51
Total	24.90	35.90	39.18	42.57	42.13
Selling general and administrative expenses	0.27	0.39	0.43	0.43	0.43
Total expenses	25.17	36.29	39.61	43.00	42.56
Operating profit before interest	5.99	7.71	9.89	12.00	12.44
Interest	4.00	5.45	5.00	4.51	3.98
Operating profit after interest	1.99	2.26	4.89	7.49	8.46
P&P expense including all book entries written off	(1.17)	0.23	0.24	0.23	0.24
Sub-total (expenses)	(1.17)	0.23	0.24	0.23	0.24
Net of other non-operating income/ expenses	1.17	(0.23)	-0.24	-0.23	-0.24
Profit before tax/loss	3.16	2.03	4.65	7.26	8.22
Provision for taxes	-	-	-	-	-
Net profit/loss	3.16	2.03	4.65	7.26	8.22

Annexure 2
Projected Balance Sheet

₹ Crores

Particulars	2013	2014	2013	2014	2017	2018
Short-term borrowings	-	20.00	20.00	20.00	20.00	20.00
Expenses payable	0.02	0.03	0.04	0.05	0.05	0.05
Deposits/instalments of term	-	3.24	3.75	3.75	4.25	4.26
Total Current Liabilities	0.02	23.27	23.79	23.80	24.30	24.31
Term loans(excluding instalment)	3.25	20.26	16.51	12.76	8.51	4.25
Unsecured Loans	-	0.33	0.33	0.33	0.33	0.33
Total term liabilities	3.25	20.59	16.84	13.09	8.84	4.58
Total outside liabilities	3.27	43.86	40.63	36.89	33.14	28.89
Net Worth						
Paid Up Share Capital	2.50	16.30	16.30	16.30	16.30	16.30
Venture Capital	-	3.00	3.00	3.00	3.00	3.00
Surplus (+) or deficit (-) in	-	3.16	5.19	9.84	17.10	25.32
Net worth	2.50	22.46	24.49	29.14	36.40	44.62
Total liabilities	5.77	66.32	65.12	66.03	69.54	73.51

Annexure 3
Projected Balance Sheet Contd.

₹ Crores

Particulars	2013	2014	2015	2016	2017	2018
Cash and bank balances	0.21	0.07	0.08	0.20	0.23	0.25
Receivables	-	1.82	4.69	5.61	6.87	6.87
Inventory	-	30.20	30.40	33.98	37.75	42.50
Advances to growers	-	0.15	0.25	0.25	1.60	1.75
Advance payment of taxes	-	-	-	-	-	-
Other Current assets		0.20	0.20	0.22	0.50	0.75
Total current assets	0.21	32.44	35.62	40.26	46.95	52.12
Fixed assets (net)	5.40	32.55	28.40	24.91	21.96	19.45
Investment/book debts/advances/	0.16	0.16	0.16	0.16	0.16	1.71
Other Investments	-	-	-	-	-	1.55
Security Deposits	0.16	0.16	0.16	0.16	0.16	0.16
Total other noncurrent assets	0.16	0.16	0.16	0.16	0.16	1.71
Intangible assets	0.00	1.17	0.94	0.70	0.47	0.23
Total assets	5.77	66.32	65.12	66.03	69.54	73.51

Annexure 4
Interest Calculation Details

Particulars	2014	2015	2016	2017	2018	2019	2020
Opening balance	23.50	23.50	20.26	16.51	12.76	8.51	4.25
Repayment during the year	0.00	3.24	3.75	3.75	4.25	4.26	4.25
Closing balance	23.50	20.26	16.51	12.76	8.51	4.25	0.00

Interest Calculation @13% pa	2014	2015	2016	2017	2018	2019	2020
Term Loan Instalment (July 2013 to March 2014)	2.16	2.85	2.40	1.91	1.38	0.83	0.42
W. capital	1.84	2.60	2.60	2.60	2.60	2.60	2.60
Total	4.00	5.45	5.00	4.51	3.98	3.43	3.02