

Press Release

Dev Bhumi Cold Chain Private Limited

July 16, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 65.75 Cr. (enhanced from Rs. 15.75 crore)
Long Term Rating	ACUITE BB+ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.15.75 crore bank facility of Dev Bhumi Cold Chain Private Limited (DBCC).

Further, Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.49.94 crore bank facility and long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on Rs.0.06 crore proposed bank facility of DBCC. The outlook is '**Stable**'.

DBCC is a Delhi based company incorporated in 2003 and is promoted by Mr. Sanjay Aggarwal and Mrs. Sunila Aggarwal. The company is a fully integrated cold chain company i.e. from Farm to Retail. The company is engaged in farm level procurement, logistics and allied services, along with marketing and distribution of varieties of fruits including apples, kiwis, grapes, citrus, plums and frozen peas. The company has strategic distribution centers in the form of cold storage facilities at various locations including Delhi, Mumbai, Chennai, Bangalore, Hyderabad, Ahmedabad and Kolkata. The company has one Control Atmosphere Storage (CAS) with capacity of 5200 metric tonnes per annum located in Himachal Pradesh and frozen peas processing unit on lease basis located at Uttarakhand with capacity of 1500 metric tonnes per annum.

The company procures fruits and vegetables from the domestic and overseas market while it sells the same only in the domestic market through a network of wholesalers.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**

DBCC has established presence in the cold storage industry for last fifteen years. The company is also a flagship company of Dev Bhumi Group which comprises of DBCC and Indraprastha Ice and Cold Storage Private Limited engaged in providing cold storage facility for the last six decades. The company has long standing relations with its customers and suppliers.

Further, the management including Mr. Sanjay Aggarwal, Mrs. Sunila Aggarwal and Mr. Neerak Sharma collectively possess more than three decades of experience in the cold storage industry. The top management is supported by well qualified and experienced second line of management.

- **Wide geographical presence**

The company has wide geographical reach in different states including Delhi, Maharashtra, Karnataka, Telangana, Gujarat and West Bengal. The company operates cold storage and warehouse facilities in these locations on lease basis. These cold storages are strategically located either near to seaports or mandi including Azadpur Mandi in Delhi, Vashi APMC market in Mumbai along with other locations including Chennai and Kolkata. Further, the Control Atmosphere Storage (CAS) unit located in Himmachal Pradesh and peas processing unit located in Uttrakhand are strategically located near to the procurement areas. The strategic location of the facilities help the company to market its products to wide geographical area at competitive prices.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by adjusted tangible net worth of Rs.46.72 crore as on 31 March, 2018 (Provisional) as against Rs.45.39 crore in the previous year. The adjusted debt to equity ratio stood at 1.82 times as on 31 March, 2018 (Provisional) as against 1.78 times in the previous year. For arriving at the adjusted tangible net worth, the unsecured loan from promoters to the tune of Rs.17.12 crore has been considered as a part of equity instead of debt as same is subordinated to bank debt. The total debt of Rs.85.02 crore as on 31 March, 2018 (Provisional) includes long term borrowing of Rs.30.02 crore, short term borrowings of Rs.54.78 crore and unsecured loan from related parties of Rs.0.22 crore. The interest coverage ratio (ICR) stood at 1.61 times for FY2018 (Provisional) as against 1.45 times in the previous year. The debt service coverage ratio (DSCR) has improved to 1.28 times FY2018 (Provisional) as against 1.16 times in the previous year. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.88 times as on 31 March, 2018 (Provisional) as against 1.84 times in the previous year.

Going forward, Acuite expects the company to maintain the financial risk profile in the absence of major debt funded capital expenditure plan over the near to medium term.

Weaknesses

- **Stagnant revenue trend**

The company reported operating income of Rs.155.08 crore for FY2018 (Provisional) as against Rs.151.84 crore in the previous year. The stagnant revenue during the last two years is on account of demonetisation during FY2017 and GST implementation in FY2018. Since, the fruit and vegetable trading industry is majorly unorganised; these two factors significantly hampered the sales for DBCC. However, Acuite expects the company to report moderate growth in revenue going forward due to pick up in demand.

- **Working capital intensive nature of operations**

The operations of the company is highly working capital intensive in nature as reflected in the gross current asset days (GCA) of around 194 for FY2018 (Provisional) as against 178 in the previous year. This is mainly on account of high inventory days at 184 for FY2018 (Provisional) as against 161 days in the previous year. The company maintains high level of inventory of domestically procured apples for nearly 7-8 months as same is sold during the off-season. Further, the imported fruits are delivered after 45-50 days after shipment and it takes another 7 days to reach the point of sale. The liquidity position of the company is marginally stretched as the average cash credit limit utilisation is around 95 percent during the last six months ended as on 31 May, 2018.

- **Agro climatic risk along with foreign exchange risk**

DBCC is dealing in agro based commodities which are highly dependent on monsoon. It affects the availability of the crop and also volatility in prices. Further, the business is also susceptible to change in government policies that may have adverse impact on the operations. The company imports around 59 percent of its purchases from countries including United States of America, South Africa and Chile to name a few. Hence, the profitability of the company is exposed to volatility in foreign exchange rate in the absence of adequate hedging mechanism.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the DBCC for arriving at the rating.

Outlook: Stable

Acuite believes the outlook on DBCC rated facilities will remain 'Stable' over the medium term on account of its established presence and experienced management in the cold storage industry. The outlook may be revised to 'Positive' if the company registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	155.08	151.84	152.21
EBITDA	Rs. Cr.	14.44	11.89	12.28
PAT	Rs. Cr.	1.77	0.60	1.60
EBITDA Margin	(%)	9.31	7.83	8.07
PAT Margin	(%)	1.14	0.39	1.05
ROCE	(%)	8.67	8.12	10.24
Total Debt/Tangible Net Worth	Times	1.82	1.78	1.86
PBDIT/Interest	Times	1.61	1.45	1.56
Total Debt/PBDIT	Times	5.87	6.23	5.11
Gross Current Assets (Days)	Days	194	178	141

Status of non-cooperation with previous CRA (if applicable)

CARE in its press release dated 15 March, 2018 had inter-alia mentioned the following: "CARE has been seeking information from Dev Bhumi Cold Chain Pvt Ltd (DBCCPL) to monitor the ratings vide e-mail communications/letters dated February 16, 2018, February 09, 2017, January 31, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on Dev Bhumi Cold Chain Private Limited bank facilities will now be denoted as CARE BB; ISSUER NOT COOPERATING."

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Trading Entities - <http://www.acuite.in/view-rating-criteria-6.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jul-2018	Cash Credit	Long Term	15.75	ACUITE BB+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	57.50 (enhanced from Rs. 15.75 crore)	ACUITE BB+ /Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.39	ACUITE BB+ /Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB+ /Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB+ /Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE BB+ /Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE BB+ /Stable (Assigned)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Shashikala Hegde Senior Analyst - Rating Operations Tel: 022-67141156 shashikala.hegde@acuiterratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.