



Press Release
GNR Cold Storage Private Limited
August 08, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.62	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	11.62	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs.11.62 Cr bank facilities of GNR cold storage Private Limited (GNRCS; part of Gubba Group). The outlook is '**Stable**'.

Rational for rating reaffirmation:

The rating reaffirmation factors in the improved operating performance of Gubba group marked by improved revenue, moderate financial risk profile and range bounded operating margins. The group's revenue has recorded ~15 percent YoY growth during FY23 (Prov) as it stood at Rs.73.65Cr as against Rs.63.93Cr in FY22. The operating margins improved marginally to 39.03 percent during FY23 (Provisionals) against 38.41 percent in previous year. The financial risk profile is moderate marked by moderate networth position, capital structure and comfortable coverage indicators. The ratings are partially offset by the intensive working capital operations and highly competitive industry with operating margins sensitive to power cost. Going forward the group's ability to improve its operating income while maintaining its current operating margin levels and improving its working capital operations will be a key monitorable.

About Company

GNR Cold Storage Private Limited (GCSPL) was incorporated in 2008 and provides cold storage facilities for preserving seeds, food items and Pharmaceutical at its temperaturecontrolled cold storages/warehouses (TCW).

About the Group

Gubba group has a history of 125 years with the 'Gubba' brand that started in 1857 with trading of agri-commodities. The group which includes GCS, GNR Cold Storage Pvt Ltd (GNR), Gubba Green Cold Pvt Ltd (GGC) and Gubba Agro Fresh Pvt Ltd (GAF) provides cold storage facilities for preserving seeds (Commercial seed, foundation seed, and germplasm seed), food items (Fresh, Chilled, Frozen), and Pharmaceuticals. It was expanded in year of 1992 and 1993. In 1996, Gubba group diversified for the pre-cooling of fruits, the group processed more than 1000 containers of fruits and eggs for exports. In 1998, Gubba was setup first to do education on Cold Storage of India for seeds. With hundreds of research at gubba group, gubba have setup India's First Global Standards in 2008. In 2012, it had setup 3000 tonne Sub-Zero Cold Storage facility at Uppal Hyderabad.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, Acuité has consolidated the financial and business risk profiles of Gubba cold storage private limited (GCS), Gubba Green Cold Private Limited (GGC), Gubba Agro Fresh Private Limited (GAF), GNR Cold storage Private Limited (GNRCS) hereinafter, referred to as "Gubba Group" on account of their common management and brand name, strong operational and financial linkages.

Key Rating Drivers

Strengths

Extensive industry experience with demonstrated track record of operations

Gubba group has a history of 125 years with the 'Gubba' brand that started in 1857 with trading of agri-commodities. The group provides cold storage facilities for preserving seeds, food items and Pharmaceuticals at its temperature-controlled cold storages/warehouses (TCW). The group started its operations by setting up its first private cold storage in 1987 for groceries through the flagship company of the group named 'Gubba Cold Storage Pvt Ltd' (GCS) which was established in 1985 in Andhra Pradesh. GCS was established by Mr. Gubba Nagender Rao foreseeing the necessity to store agri-commodities for retaining their market value and efficient future use. It was further expanded in year of 1992 and 1993 and expanded in 1996 for the pre-cooling of fruits. Group has an in-house Gubba Germplasm Bank, which is one of the finest innovations of the Indian seed Industry in the private sector. Currently the group has 24 warehouses across Telangana and Andhra Pradesh and few in Aurangabad, out of which company owns 5 warehouses and rest were taken on lease. Acuité believes that the groups' extensive industry experience and demonstrated track record will continue to aid the business risk profile of the group over the medium term.

Stable operating performance during FY23:

Gubba group has reported consolidated revenue of Rs.73.65Cr for FY23 (Prov), recording a growth of 15 percent against previous year's Rs.63.93Cr. The growth in operating income is mainly due to increased demand for cold storage in seeds and frozen foods segment and addition of warehouses to capture the demand. The group has added 3 ware houses during the second half of FY23 and 2 ware houses during Q1FY24 which will fully operational from Q2 of FY24. With in addition of ware houses the group is expected to achieve 15-20 percent growth in operating income for FY24. Operating margin of the group was in the range of 39- 38 percent during the past 3 years, presence of long term lease agreements and escalation clauses aid in maintaining margins in the similar levels. Acuite believes that the group will improve its operating revenue while maintaining its current operating margins in the medium term on account of recent addition of ware houses and escalation clauses.

Moderate financial risk profile:

The financial risk profile of the group moderate which is reflected by moderate net worth position, moderately healthy capital structure and average debt protection metrics. The net worth of the group stood at Rs.67.99Cr as on March 31, 2023 (Prov.) against Rs.59.46Cr during previous year. The growth in net worth is mainly due to accretion of profits to reserves. Gearing ratio of the group improved to 1.58 times during FY23 (Prov.) from 2.04 times during previous year. Improvement in gearing level is on account of accretion of profits to reserves and addition of equity of Rs.4.6Cr from the promoters. Total outside liability to net worth stood at 1.74 times as on March 31, 2023 (Prov.) against 2.26 times of previous year. The coverage indicators of the group are moderate with DSCR of 1.55 times as on March 31, 2023 (Prov.) against 1.27 times during previous year. Interest coverage ratio stood at 2.10 times as on March 31, 2023 (Prov.) against 2.29 times of previous year. Debt to EBITDA has marginally improved to 3.69 times during FY23 from 4.86 times of previous year. Acuite believes that financial risk profile of the group will improve in the medium term in absence of major debt funded capex.

Weaknesses

Moderate Intensive working capital operations:

The working capital operations of the group are moderately intensive which is evident from the improving Gross current asset days of 278 days during FY23 (Prov.) from 319 days during previous year. This improvement in GCA days is on account of improvement in operating income and decline in current assets. Debtors days of the group deteriorated to 149 days during FY23 (Prov.) from 120 days of previous year. The same is on account of higher debtor outstanding balance of Rs.30.12Cr as on March 31, 2023 (Prov.) against Rs.21.05Cr during previous year. Generally, the group allows credit period of 60-90 days to its customers. However, receivables pertaining to seeds from farmers will be realised in 3-4 months. Payables mainly consist of electricity charges and monthly lease charges which will be paid within 15-20 days. Elongated debtor days has resulted in increased dependency on working capital limits. The limits were moderately utilized in the range 75-80 percent during past 12 months ending May, 2023. Acuite believes that operations of the group will continue to remain working capital intensive.

Highly Fragmented Industry and sensitivity to power cost

The cold chain industry in India is dominated by the presence of several domestic players catering to localised markets. The organised players account for a small portion of the total cold chain industry market. The company faces intense competition from the unorganised players. The fragmented nature of industry could constrain the pricing power and the operating profit margin of the group. Albeit, increasing demand for temperature-controlled services by the pharmaceutical, seeds and food industry, due to increasing urbanisation and changing consumer consumption patterns partially offsets the risk. Besides, Cost of electricity forms nearly 14-14.5 percent of temperature controlled warehouses. Any chronic interruption leading to increased dependency on backup power generators or adverse hike in electric charges by various state electricity boards may have negative impact on the operating margins.

Rating Sensitivities

- Improvement in operating revenue while improving its working capital cycle.
- Any deterioration in financial risk profile led by larger than expected debt funded capex

Material Covenants

None

Liquidity Position: Adequate

The liquidity profile of the group continues to remain at adequate level with net cash accruals of Rs.13.87Cr in FY23 as against the debt repayment of Rs.4.00Cr. The net cash accruals of the group are expected to remain between Rs.17-27Cr as against expected debt obligation of Rs.4.5-11Cr. The group has maintained cash and bank balance of Rs.0.15Cr as on March 31, 2023 (Prov.). The current ratio stood at 2.10 times as on March 31, 2023 (Prov.). The working capital utilisation for the past 12 months ending May 2023 remained at ~76%. The company has not planned to incur any additional capex or avail any additional debt during the year. Hence, with expected increase in net cash accruals which will be sufficient to meet debt repayment obligation, the liquidity profile of the group is expected to remain at adequate level.

Outlook:

Acuite believes that the group will maintain a 'Stable' business and financial risk profile over medium term on the back of extensive industry experience and stable operating performance. The outlook may be revised to 'Positive' in case of higher-than-expected revenue growth or improvement in receivable cycle while maintaining profitability and overall financial risk profile. The outlook may be revised to 'Negative' in case of slowdown in the flow of contracts, elongation of working capital cycle or higher-than-expected debt funded

capex leading to weakening of the liquidity profile

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	73.65	63.93
PAT	Rs. Cr.	3.92	3.64
PAT Margin	(%)	5.32	5.69
Total Debt/Tangible Net Worth	Times	1.58	2.04
PBDIT/Interest	Times	2.10	2.29

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jun 2022	Term Loan	Long Term	10.47	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.15	ACUITE BBB- Stable (Reaffirmed)
22 Dec 2020	Term Loan	Long Term	1.76	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	7.40	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.65	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.66	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	1.15	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.15	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.69	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.78	ACUITE BBB- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

- Gubba Cold Storage Private Limited
- Gubba Agro Fresh Private Limited
- Gubba Green Cold Private Limited
- GNR Cold Storage Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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