

July 31, 2013

CARE ASSIGNS 'CARE BB+' AND 'CARE A4+' RATINGS TO THE BANK FACILITIES OF JICS LOGISTIC LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	25	CARE BB+/CARE A4+ (Double B Plus/A Four Plus)	Assigned
Short-term Bank Facilities	7.50	CARE A4+ (A Four Plus)	Assigned
Total	32.50		

Rating Rationale

The ratings assigned to the bank facilities of JICS Logistic Limited (JLL) are primarily constrained due to its financial risk profile marked by decline in turnover and profit margins, coupled with high receivables and project implementation risk. The ratings are further constrained on account of high revenue concentration and vulnerability in profit margins as warehousing and assaying charges are fixed by National Commodity and Derivatives Exchange Limited (NCDEX).

These constraints outweigh the benefits derived from the experience of the promoters, established track record of operation with diversified revenue portfolio, favorable demand scenario for the logistic industry, going forward, infusion of capital by private equity, comfortable capital structure and moderate debt coverage indicators.

The ability of JLL to increase its scale of operations with achievement of envisaged utilization levels of new warehouses and timely completion of the project within envisaged cost remain the key rating sensitivities.

Background

JLL, promoted by the Jhawar family, was setup in 1996 as a partnership firm. Later on, in 2009, it was converted into a public limited company. JLL is an approved NCDEX associate for providing warehousing and allied services across the country for agricultural commodities and other products, including perishable products requiring cold storage facility. It has established a presence across India and operates mainly through leased warehouses and caters largely to NCDEX's clients as well as other corporate clients. Furthermore, it provides agri-financing services against warehouse receipts.

JLL has three wholly-owned subsidiaries, namely, Samaira Infratech Private Limited (SIPL), JICS Holdings Private Limited (JHPL) and Yamada Logistics Private Limited (YLPL). YLPL was an associate concern till May 2011, and, thereafter, it became wholly owned subsidiary of JLL. Anik JICS Logistic Private Limited (AJLPL) is a newly incorporated Joint Venture company (50:50) formed for undertaking the contracts from Madhya Pradesh Warehousing and Logistic Corporations (MPWLC).

The associate concerns of JLL are Indra Marshal Private Limited (IMPL) and Yamada Automation Private Limited (YAPL). IMPL is engaged in the manufacturing of diesel engine, pump sets and air compressors while YAPL manufactures machine parts such as spindels, spools, shafts, connecting rods, engine bearings, valves, fuel nozzles, etc.

As per audited results for FY13 (Provisional), JLL reported a total operating income of Rs.24.49 crore (FY12: Rs.32.27 crore) and a net profit of Rs.0.27 crore (FY12: Rs.4.32 crore).

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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