JICS Logistic Limited

April 02, 2019

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Long-term/Short-term Bank Facilities	20.00	**CARE B+; Stable/ CARE A4 ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating; Revised from CARE BB+; Stable/ CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus); Based on best available information**
Short-term Bank Facilities	7.50	**CARE A4 ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating; Revised from CARE A4+ (A Four Plus); Based on best available information**
Total Facilities	**27.50 (Rupees Twenty Seven Crore and Fifty Lakh Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

JICS Logistic Limited (JLL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's ratings on the bank facilities of JLL will now be denoted as **CARE B+; Stable/ CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings assigned to the bank facilities of JLL take into account net and cash losses incurred by the company during FY17 and FY18 leading to significant deterioration in debt coverage indicators. Moreover, the revision in ratings also takes into account continued delay in realization of disputed debtors leading to stretched liquidity, which is contrary to CARE's expectation of material improvement in receivables position.

The ratings continue to be constrained on account of high operating leverage along with underutilization of current warehousing capacities leading to pressure on profitability, significant exposure to related parties in the form of investments and loans and advances and susceptibility of business volumes to vagaries of monsoon and crop-sowing patterns.

The ratings however continue to factor in the experience of its promoters in agri-warehousing industry, low leverage backed by healthy net worth base, and favourable demand scenario for the warehousing industry. The ratings also factor in the discontinuation of the loss making private warehousing business which may improve the operating profitability going forward.

The ability of JLL to grow its operations with improvement in utilization of its storage capacities, improvement in profitability, generating envisaged returns from investments in subsidiaries and affiliates along with extent of future exposure thereof shall be the key rating sensitivities. Further, resolution of disputed debtors with early realization shall also be crucial from the credit perspective.

Detailed description of the key rating drivers

Key Rating Weaknesses

Continued net and cash losses incurred by the company during FY17 and FY18: The Company continued to incur net loss of Rs.6.51 crore owing to higher operating and interest cost in its asset heavy warehousing business. Further, decline in the scale of operations and higher interest cost led to cash loss of Rs.2.54 crore during FY18. Furthermore, it is to be noted that the net loss and cash loss widened during FY18 over FY17. Continued weak profitability and cash losses resulted in substantial deterioration of the debt coverage indicators. With assets heavy business model, CARE expects the pressure on profitability and return indicators to continue in absence of optimum utilisation of storage capacities and generation of adequate returns on investments.

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

**Issuer did not cooperate; Based on best available information*

Prolonged delay in recovery of long overdue debtors: As on March 31, 2018, JLL had total outstanding trade receivables of Rs.26.04 crore of which debtors outstanding for more than 6 months stood at Rs.24.53 crore (Rs.18.19 crore as on March 31, 2017). This is contrary to CARE's expectation of material improvement in receivables position. Further, as on December 31, 2018, the outstanding balance of trade receivable was Rs.25.30 crore, indicating slow recovery of its long overdue debtors. These long overdue debtors are disputed and there are on-going legal proceedings. This has led to higher reliance on the working capital borrowings. Therefore, timely realization of the receivables and deployment of the realized funds towards the core agri-warehousing business would be crucial for the liquidity of the company.

Significant exposure to the related parties in the form of equity and loans & advances: As on March 31, 2018, total exposure of JLL including investments and loans and advances towards its subsidiaries stood at around Rs.46 crore (~ 45% of its Tangible Net Worth as on March 31, 2018) with major loans advanced to Samaira Agri Foods Private Limited (SAFPL) and Vardhman Capital Services Limited. Therefore, generation of envisaged returns from the investments made and loans & advances given to the related parties and extent of future exposure to these companies would be crucial from the credit perspective.

Underutilization of the current warehousing capacities: The capacity utilization of warehouses owned and leased by JLL declined consistently from FY15 onwards on account of decline in volumes from exchange based business and low demand in the private market which resulted in decline in total operating income. As the exchange based volumes declined, JLL increased its focus on private warehousing to improve the utilization levels of its warehouses. However, low demand in the private warehousing shifted the focus of the company back to the exchange based services during FY18. Although, private warehousing provides the benefit of competitive pricing, in response to various demand-supply scenarios, compared with fixed charges to be levied in case of commodities stored for exchange-based business. As on December 31, 2018, JLL has 20 warehouses on lease for exchange based warehousing and it discontinued the leasing of the other 24 warehouses which were used for private warehousing service.

Stretched liquidity: Liquidity of the company remained stretched on the back of continued cash losses and delayed recovery of debtors. Further, as informed by the banker and confirmed by the company, the fund based working capital limits remains fully utilised with instances of over-drawing for the past 12 months ended December 2018.

Key Rating Strengths

Experience of promoters in agri-warehousing: The promoters of JLL have an experience of more than two decades in the agri-warehousing and related service industry. Mr. Anil Jhawar, the Managing Director of the company, has been involved in the agri-warehousing and light engineering industries since the last three decades. Mr. Pranav Jhawar, the Executive Director, also has an experience of more than a decade in warehousing, agricultural equipment manufacturing and automotive engineering.

Low leverage backed by healthy net worth base: Despite the net losses incurred during the year, capital structure marked by overall gearing remained stable at 0.33 times as on March 31, 2018 largely due to strong net-worth base of Rs.102.36 crore. It is to be noted that JLL has extended large advances towards the group companies and related parties apart from outstanding corporate guarantee of Rs.2.50 crore as on March 31, 2018. Hence, after removing these investments towards the group companies and considering the corporate guarantee in debt, the adjusted overall gearing ratio stood moderate at 0.47 times as on March 31, 2018 providing financial flexibility to a certain extent.

Favourable demand scenario for the agri-warehousing industry: The storage space available in the country is not sufficient to cater to the procured stocks. Therefore, the demand for warehousing facilities has constantly been on the rise due to factors like rise in agricultural output, increase in government procurement, rise in contract farming, development of organized retail sectors requiring large storage capacities to achieve economies of scale as well as capacity constraints at existing facilities. Also, with the implementation of food security bill and good monsoon, the requirement for storage capacities may increase going forward.

Analytical Approach: Standalone

Applicable Criteria:

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Wholesale Trading
Financial Ratios- Non Financial Sector

About the Company

Incorporated in 2009, JLL took over the business of the partnership firms of its promoters, the Jhawar family members. Till FY17, JLL was engaged in providing agri-warehousing and related services like agri-commodity finance and commodity trading. From FY18 onwards, the company discontinued the business of trading of commodities and commodity finance and strategically shifted its focus on agri-warehousing business. At present, JLL has 20 warehouses taken on lease and 5 owned warehouses. It is also affiliated with National Commodity and Derivatives Exchange Ltd. (NCDEX) as a warehousing service (WSP) provider across the country.

In FY12 (refers to the period April 1 to March 31), a fund managed by IL&FS Private Equity (PE) invested Rs.40 crore in the entity in the form of compulsory convertible preference shares (CCPS). As on March 31, 2018, Jhawar family held the majority 95% stake and PE player held 5% stake.

(Rs. Crore)

Brief Financials of JICS	FY17 (A)	FY18 (A)
Total operating income	121.69	29.85
PBILDT	2.44	3.86
PAT	(5.33)	(6.51)
Overall gearing (times)	0.43	0.32
PBILDT Interest coverage (times)	0.67	0.62

A: Audited

As per the provisional results for 9MFY19, JICS earned total operating income of Rs.4.88 crore.

Status of non-cooperation with previous CRA: None
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2
Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit	-	-	-	20.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+ on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	7.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information

**Issuer did not cooperate; based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT/ ST-Cash Credit	LT/ST	20.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+ on the basis of best available information	1)CARE BB+; Stable / CARE A4+ (06-Apr-18)	1)CARE BBB-; Negative / CARE A3 (13-Apr-17)	-	1)CARE BBB- / CARE A3 (02-Feb-16)
2.	Non-fund-based - ST-BG/LC	ST	7.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	1)CARE A4+ (06-Apr-18)	1)CARE A3 (13-Apr-17)	-	1)CARE A3 (02-Feb-16)

**Issuer did not cooperate; based on best available information*

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