JICS Logistic Limited

June 30, 2020

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 Minus; Outlook: Stable/ A Four; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating; Revised from CARE B+; Stable/ CARE A4 (Single B Plus; Outlook: Stable/ A Four); Based on best available information**
Short-term Bank Facilities	7.50	**CARE A4 ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating; Based on best available information**
Total Facilities	**27.50 (Rupees Two Twenty Seven Crore and Fifty Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide press release dated April 02, 2019, placed the rating of JICS Logistic Limited (JLL) under the 'Issuer non-cooperating' category as the company had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. JLL continues to be non-cooperative despite requests for submission of information through e-mails, phone calls and a letter/e-mail dated May 07, 2020. 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.

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 ratings assigned to the bank facilities of JLL have been revised on account of non-availability of adequate information for carrying out the review of the ratings, including non-receipt of no default statement since last one year and non-availability of banker feedback regarding debt servicing conduct of the account.

Detailed description of the key rating drivers

At the time of last rating on April 02, 2019, the following were the rating strengths and weaknesses

Key Rating Weaknesses

Continued 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.

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

[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*

& 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 per last interaction with the lender, 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.

Analytical approach: Standalone

Applicable Criteria

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

About the Company

Incorporated in 2009, JICS Logistic Ltd. (JLL) overtook a partnership firms of its promoters, the Jhawar family members. Till FY17, JLL was engaged in providing services like agri-warehousing, agri-commodity finance and commodity trading.
FY18 onwards, the company discontinued the business of trading agri-commodity and agri-commodity finance and shifted its focus on agri-warehousing. As on March 27, 2019 JLL had 25 warehouses (both dry and cold) of which 20 warehouses are on lease and 5 are 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 invested Rs.40 crore in the entity in the form of compulsory convertible preference shares (CCPS). As on March 31, 2017, Jhawar family held the majority 94.51% stake and PE player held 5.49% stake. Further, upon conversion of CCPs, the equity stake of IL&FS expected to increase to 24.24%.

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: Not applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

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 B+; Stable / CARE A4; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	7.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
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 B+; Stable / CARE A4; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (02-Apr-19)	1)CARE BB+; Stable / CARE A4+ (06-Apr-18)	1)CARE BBB-; Negative / CARE A3 (13-Apr-17)
2.	Non-fund-based - ST-BG/LC	ST	7.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (02-Apr-19)	1)CARE A4+ (06-Apr-18)	1)CARE A3 (13-Apr-17)

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

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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