

Joy Ma Lakshmi Cold Storage Private Limited

January 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	5.84 (reduced from 7.50)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Removed from Non Cooperation and Reaffirmed
Short term Bank Facilities	0.10	CARE A4 (A Four)	Removed from Non Cooperation and Reaffirmed
Total	5.94 (Rs. Five crore and Ninety Four lakhs Only)		

Details of facilities in Annexure-1

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Joy Ma Lakshmi Cold Storage Private Limited and in line with the extant SEBI guidelines, CARE revised the ratings of bank facilities of the company to 'CARE B+; Stable; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the rating and the rating stands at 'CARE B+; Stable/CARE A4'.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Joy Ma Lakshmi Cold Storage Private Limited (JMLCSPL) continue to remain constrained by its short track record with small scale of operation, leveraged capital structure with moderately weak debt coverage indicators, regulated nature of industry, seasonality of business with susceptibility to vagaries of nature, risk of delinquency in loans extended to farmers and competition from local players. The ratings, however, continue to derive comfort from experienced promoters and proximity to potato growing area.

Rating Sensitivities

Positive factors

- Sizable increase in scale of operation (turnover above Rs.3.50 crore and cash accruals above Rs.0.50 crore) on a sustained basis.
- Improvement in overall gearing ratio below 1.50x on a long term basis with reduced reliance on external borrowings to fund working capital requirements.

Negative factors

- Any sizeable decline in scale of operation (turnover below Rs.1.50 crore) on a sustained basis.
- Deterioration in overall gearing ratio beyond 3.00x with increased reliance on external borrowings to fund working capital requirements on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Short track record with small scale of operation: JMLCSPL has started its commercial operation from April 2018 and accordingly FY19 was the first year of operation for the company. During FY19, the company has reported a total operating income of Rs.1.83 crore, PBILDT of Rs.0.73 crore, net loss of Rs.0.29 crore and cash accruals of Rs.0.27 crore. Moreover, the tangible networth and total capital employed stood low at Rs.2.40 crore and Rs.8.18 crore, respectively, as on March 31, 2019. This apart, the entity has achieved a turnover of Rs.1.31 crore in 9MFY20.

Leveraged capital structure with moderately weak debt coverage indicators: The capital structure of the company remained leveraged marked by debt equity and overall gearing ratios at 2.14x and 2.41x respectively as on March 31, 2019. The debt coverage indicators of the company remained moderately weak marked by interest coverage of 1.57x and total debt to GCA of 21.26x in FY19.

Regulated nature of business: In West Bengal, the basic rental rate for cold storage operations is regulated by the state government through West Bengal State Marketing Board. The rent of these cold storages is decided by taking into account political considerations, not economic viability. Due to severe government intervention, the cold storage facility providers cannot enhance rental charge commensurate with increased power tariff and labour charge.

Seasonality of business with susceptibility to vagaries of nature: JMLCSPL's operation is seasonal in nature as potato is a winter season crop with its harvesting period commencing in March. The loading of potatoes in cold storages begins by the end of February and lasts till March. Additionally, with potatoes having a perceivable life of around eight months in the cold storage, farmers liquidate their stock from the cold storage by end of season i.e., generally in the month of

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

November. The unit remains non-operational during the period from December to January. Furthermore, lower agricultural output may have an adverse impact on the rental collections as the cold storage units collect rent on the basis of quantity stored and the production of potato is highly dependent on vagaries of nature.

Risk of delinquency in loans extended to farmers: Against the pledge of cold storage receipts, JMLCSPL provides interest bearing advances to the farmers & traders. Before the closure of the season in November, the farmers & traders are required to clear their outstanding dues with the interest. In view of this, there exists a risk of delinquency in loans extended, in case of downward correction in potato or other stored goods prices, as all such goods are agro commodities.

Competition from other local players: In spite of being capital intensive, the entry barrier for new cold storage is low, backed by capital subsidy schemes of the government. As a result, the potato storage business in the region has become competitive, forcing cold storage owners to lure farmers by providing them interest bearing advances against stored potatoes which augments the business risk profile of the companies involved in the trade.

Key Rating Strengths

Experienced promoters: JMLCSPL is currently being managed by Mr. Arup Kumar Ghosh who has around two decades of experience in the same industry though his family business, looks after the day to day operations of the company. He is being duly supported by the other director Mrs. Moutusi Ghosh along with a team of experienced personnel.

Proximity to potato growing area: JMLCSPL's storing facility is situated at Cooch Bihar, West Bengal which is one of the major potato growing regions of the state. The favorable location of the storage unit, in close proximity to the leading potato growing areas provides it with a wide catchment and making it suitable for the farmers in terms of transportation and connectivity.

Liquidity:

Liquidity: Stretched - Liquidity is marked by inadequate accruals to repayment obligations. The cash and bank balance stood low at Rs.0.23 crore as on March 31, 2019. Moreover the average bank limit utilisation was low at 34% for the last 12 months ended on December 31, 2019.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

About the Company

Incorporated in April 2017, Joy Ma Lakshmi Cold Storage Private Limited (JMLCSPL) was promoted by Mr. Arup Kumar Ghosh and Mrs. Moutusi Ghosh based out of West Bengal to set up cold storage facility in the state of West Bengal with an aggregate storing capacity of 140000 quintal. The company has setup its cold storage unit with an aggregate cost of Rs.7.69 crore funded at debt equity of 1.11x and the company has loading of potatoes at its cold storage from March 2018 and the commercial operation started from April 2018.

Brief Financials (Rs. crore)	31-03-2019
	A
Total operating income	1.83
PBILDT	0.73
PAT	-0.29
Overall gearing (times)	2.41
Interest coverage (times)	1.57

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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-Term Loan	-	-	March 2025	3.34	CARE B+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	2.00	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.10	CARE A4

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.34	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (17-Oct-19)	1)CARE B+; Stable (13-Jun-18)	-	-
2.	Fund-based - LT-Working Capital Limits	LT	2.00	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (17-Oct-19)	1)CARE B+; Stable (13-Jun-18)	-	-
3.	Fund-based - LT-Cash Credit	LT	0.50	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (17-Oct-19)	1)CARE B+; Stable (13-Jun-18)	-	-
4.	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (17-Oct-19)	1)CARE A4 (13-Jun-18)	-	-

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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