

Joy Ma Lakshmi Cold Storage Private Limited ^(Revised)

June 13, 2018

Rating

| Facilities | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|----------------------------|---|---|-----------------|
| Long-term Bank Facilities | 7.50 | CARE B+; Stable (Single B Plus; Outlook: Stable) | Assigned |
| Short-term Bank Facilities | 0.10 | CARE A4 (A Four) | Assigned |
| Total Facilities | 7.60 (Rupees Seven crore and Sixty lakh only) | - | |

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Joy Ma Lakshmi Cold Storage Private Limited (JMLCSPL) is constrained by operations stabilization risk, 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, derive comfort from experienced promoters and proximity to potato growing area.

The ability of the company to achieve the envisaged scale of operations, profitability margins and efficient management of working capital will be the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Operations stabilization risk: JMLCSPL has already 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 started commercial operations from March 2018. However, the company has not earned any revenue in FY18. The rental income from cold storage unit accrues from April 2018 for the company. Since the company is into nascent stage of operations, the operations stabilization risk exists. Going forward, the ability of the company to stabilize its operations, achieve envisaged revenue and profits will be the key rating sensitivities.

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 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 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.

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

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.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[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 started commercial operations from March 2018. However, the company has not earned any revenue in FY18.

Status of non-cooperation with previous CRA: Not Applicable.

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.

Analyst Contact:

Name: Rajesh Shaw

Tel: 033-40181636

Mobile: +91- 9007700172

Email: rajesh.shaw@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 | - | - | October 2024 | 4.05 | CARE B+; Stable |
| Fund-based - LT-Working Capital Limits | - | - | - | 3.00 | CARE B+; Stable |
| Fund-based - LT-Cash Credit | - | - | - | 0.45 | 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 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-Term Loan | LT | 4.05 | CARE B+; Stable | - | - | - | - |
| 2. | Fund-based - LT-Working Capital Limits | LT | 3.00 | CARE B+; Stable | - | - | - | - |
| 3. | Fund-based - LT-Cash Credit | LT | 0.45 | CARE B+; Stable | - | - | - | - |
| 4. | Non-fund-based - ST-Bank Guarantees | ST | 0.10 | CARE A4 | - | - | - | - |

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691