

Joy Ma Lakshmi Cold Storage Private Limited

October 17, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	7.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Based on best available information
Short term Bank Facilities	0.10	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Based on best available information
Total	7.60 (Rupees Seven crore and Sixty lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking no default statement from **Joy Ma Lakshmi Cold Storage Private Limited (JMLCSPL)** to monitor the ratings vide e-mail communications July 31, 2019, August 01, 2019, August 05, 2019, August 07, 2019 August 13, 2019, August 30, 2019, September 05, 2019, September 09, 2019, September 11, 2019, September 23, 2019, September 30, 2019, October 01, 2019, October 04, 2019 and October 09 and numerous phone calls. However, despite our repeated requests, the company has not provided no default statement for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on JMLCSPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING* / 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 ratings.

Detailed description of the key rating drivers

At the time of last rating in June 13, 2018 the following were the rating weaknesses and strengths.

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.

¹Complete 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

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.

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 Indicator: Comment on liquidity is not available due to non-cooperation by the company.

Analytical approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch'](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Criteria for Short Term Instruments](#)

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 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	-	-	October 2024	4.05	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Working Capital Limits	-	-	-	3.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	0.45	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.10	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; 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 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	4.05	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (13-Jun-18)	-	-
2.	Fund-based - LT-Working Capital Limits	LT	3.00	CARE B+; Stable ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (13-Jun-18)	-	-
3.	Fund-based - LT-Cash Credit	LT	0.45	CARE B+; Stable ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (13-Jun-18)	-	-
4.	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4 ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (13-Jun-18)	-	-

*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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