

Press Release

Jagannath Ice and Cold Storage

March 18, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 10.50 crore bank facilities of Jagannath Ice and Cold Storage. The outlook is '**Stable**'.

Jagannath Ice and Cold Storage (JICS) was established in 2015 by Mr. Vishal Jalan. It is located in Jharsuguda, Odisha. The company provides cold storage facilities for agricultural products, i.e., primarily potatoes apart from other vegetables with an installed capacity of 5000 MT. The company has three sources of income from the cold storage facility, i.e. rental income, interest income, and the rest from trading of potatoes. The firm has recently started with bottling and selling of packaged drinking water.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of JICS to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

The promoter, Mr. Vishal Jalan has experience of around a decade in the cold storage industry by virtue of his prior employment in related company.

Weaknesses

- **Nascent stage and small scale of operation**

The firm is in its nascent stage of operation and has relatively small scale of operations with revenue in the range of Rs.4.89 crore to Rs.6.67 crore over the past three years ended FY'2018. The operations are expected to improve over the near to medium term as the firm has started with trading of onion, garlic and also with sale of packaged drinking water. The firm has earned operating revenue of around Rs. 13.00 crore during April 2018 to February 2019 (prov.).

- **Weak Financial risk profile**

The financial risk profile of the company marked by low networth, high gearing and moderate debt protection metrics. The networth levels of the company stood at Rs. 3.06 crores as on March 31, 2018 as compared to Rs. 1.06 crores in the previous year. The firm has high gearing (debt-to-equity) at 4.45 times as on 31 March, 2018 against 8.64 times in the previous year. The interest coverage ratio stood at 2.53 times in FY2018. The debt service coverage ratio (DSCR) stood at 1.12 times in FY2018. The net cash accrual (NCA)/ Total debt (TD) stood at 0.11 times in FY18.

Liquidity Position

Liquidity of JICS is stretched marked by moderate cash accruals against repayment obligations of Rs. 1.20 crore and working capital intensive operations due to inventory piling up due to year end. It has reported cash accruals of Rs.1.47 crore in FY2018. The operations are working capital intensive due to stretch in inventory of 338 days in FY2018 due to seasonality of the agro products.

Outlook: Stable

Acuite believes that Jagannath Ice and Cold Storage will benefit from the long standing experience of its management in the food and agro business. The outlook may be revised to positive if JICS achieves improvement in sales and financial risk profile. Conversely, the outlook may be revised to negative in case it fails to report improvement in sales and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.67	7.72	4.89
EBITDA	Rs. Cr.	2.14	1.94	(1.15)
PAT	Rs. Cr.	0.24	0.20	0.20
EBITDA Margin	(%)	32.05	25.17	(23.62)
PAT Margin	(%)	3.58	2.59	4.01
ROCE	(%)	8.88	9.64	10.66
Total Debt/Tangible Net Worth	Times	4.45	8.64	8.23
PBDIT/Interest	Times	2.53	2.81	3.52
Total Debt/PBDIT	Times	5.63	4.39	7.86
Gross Current Assets (Days)	Days	372	170	281

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Aug-2018	Term Loan	Long Term	INR 4.5	ACUITE B (Issuer Not Co-operating)
	Cash Credit	Long Term	INR 6	ACUITE B (Issuer Not Co-operating)
23-Jun-2017	Term Loan	Long Term	INR 4.5	ACUITE B / Stable (Reaffirmed)
	Cash Credit	Long Term	INR 6	ACUITE B / Stable (Reaffirmed)
03-Feb-2016	Term Loan	Long Term	INR 4.5	ACUITE B / Stable (Assigned)
	Cash Credit	Long Term	INR 6	ACUITE B / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.45	ACUITE B / Stable (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.55	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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