



Press Release
Jagannath Ice and Cold Storage
May 13, 2022
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE B Stable Reaffirmed	-
Bank Loan Ratings	4.50	ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of 'ACUITE B' (read as ACUITE B) on the Rs.10.50 crore bank facilities of Jagannath Ice and Cold Storage. Acuite has also assigned the long term rating of 'ACUITE B' (read as ACUITE B) on the Rs.4.50 crore bank facilities of Jagannath Ice and Cold Storage. The outlook is 'Stable'.

The rating of JICS is driven by the extensive experience of the management in agro industry along with established relationship with farmers. The rating also reflects healthy operating margin of the firm during the period. However, these strengths are partially offset by the working capital intensive nature of operation and below average financial risk profile coupled with small scale of operation.

About the Company

Jagannath Ice and Cold Storage (JICS) were 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 firm has also started the bottling and selling of packaged drinking water from 2019 onwards.

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. This helps the firm to create healthy relationship with the farmers.

Healthy profitability margin

The operating profitability margin of the firm stood healthy at 26.90 per cent in FY2021 as compared to 17.64 per cent in the previous year. Further, the operating margin of the firm has also increased to 27.58 per cent in FY2022 (Prov.). Going forward, Acuite believes that the operating profitability margin of the firm will remain at healthy level backed by healthy demand of cold storage in the eastern part of the country. The net profitability margin of the firm stood low at 0.71 per cent in FY2021 as compared to 1.71 per cent in the previous year. Further, the net profit margin has increased to 1.64 per cent in FY2022 (Prov.).

Weaknesses

Declining trend of revenue

The revenue of the firm has declined to Rs.16.22 crore in FY2021 as compared to Rs.26.34 crore in the previous year. This significant decline in revenue is due to impact of covid-19 and nation-wide lockdown during the period. The revenue of the firm has further declined in FY2022 (Prov.) to Rs.14.65 crore, mainly to due to lower rental income from cold storage during the period.

Below average financial risk profile

The financial risk profile of the firm is marked by low net worth, high gearing and comfortable debt protection metrics. The net worth of the firm stood low at Rs.4.88 crore in FY 2021 as compared to Rs. 4.73 crore in FY2020. The networth of the firm is expected to improve slightly during FY2022 (Prov.). The gearing of the firm stood high at 4.61 times as on March 31, 2021 when compared to 4.04 times as on March 31, 2020. This increase in overall gearing is on account of increase in long term debt during the period. The gearing of the firm is expected to improve marginally in FY'22 while remaining at high levels. The overall coverage indicators are also expected to improve during FY2022 (Prov.) Interest coverage ratio (ICR) of the company stood moderate at 1.18 times in FY2021 as against 1.26 times in FY 2020. The debt service coverage ratio (DSCR) of the firm stood comfortable at 2.30 times in FY2021 as compared to 2.35 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.1 times in FY2021 in FY2020 respectively. Going forward, Acuite believes the financial risk profile of the company will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

Working capital intensive nature of operation

The working capital management of the firm is marked by high gross current asset (GCA) days of 269 days in FY2021 as compared to 154 days in FY2020. The GCA days of the firm has further increased to 338 days in FY2022 (Prov.). This high GCA day is mainly on account of the high inventory days of the firm of 163 days in FY2022 (Prov.) as compared to 188 days in the previous year. The collection period of the firm also stood moderate at 32 days in FY2022 (Prov.) as compared to 45 days in the previous year. Acuite believes that the ability of the firm to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Further elongation in working capital management

Material covenants

None

Liquidity Position: Stretched

The firm has stretched liquidity marked by low current ratio of 1.19 times in FY2021. The bank limit of the firm has been ~86 percent utilized during the last six months ended in March 2022. The working capital intensive nature of the firm is marked by high Gross Current Asset (GCA)

days of 269 days in FY2021 . However, Acuité draws comfort from the net cash accruals of the firm which stood at Rs.2.51 crore as against Rs.2.04 crore long term debt obligations in FY2021 . The cash accruals of the firm are estimated to remain in the range of around Rs. 2.39 crore to Rs. 2.95 crore during 2022-23 as against Rs.2.04 crore long term debt obligations in FY2022 and in FY2023 respectively. Acuité believes that the liquidity of the firm is likely to improve over the medium term on account of increase in cash accruals against long debt repayments over the medium term.

Outlook- Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	16.22	26.34
PAT	Rs. Cr.	0.12	0.45
PAT Margin	(%)	0.71	1.71
Total Debt/Tangible Net Worth	Times	4.61	4.04
PBDIT/Interest	Times	2.30	2.35

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Aug 2021	Cash Credit	Long Term	6.00	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	4.50	ACUITE B (Issuer not co-operating*)
27 May 2020	Cash Credit	Long Term	6.00	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	4.50	ACUITE B (Issuer not co-operating*)
18 Mar 2019	Term Loan	Long Term	2.45	ACUITE B Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE B Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	3.55	ACUITE B Stable (Assigned)
01 Aug 2018	Cash Credit	Long Term	4.50	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE B (Issuer not co-operating*)
23 Jun 2017	Term Loan	Long Term	4.50	ACUITE B Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE B Stable (Reaffirmed)
03 Feb 2016	Term Loan	Long Term	4.50	ACUITE B Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.50	ACUITE B Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.00	ACUITE B Stable Assigned

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About Acuité Ratings & Research

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