

Press Release

Life Care Logistic Private Limited

February 26, 2020



Rating Revised

Total Bank Facilities Rated*	Rs.62.60 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Revised from ACUITE BB+; Indicative)

* Refer Annexure for details

Rating Rationale

Acuité has revised the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs.62.60 crore bank facilities of Life Care Logistic Private Limited (LCLPL). The outlook is '**Stable**'.

Life Care group was founded by Mr. Vaibhav Rai and Life Care Logistic Private Limited is the flagship company of the group, incorporated in the 1996. The company is engaged into providing clearing and forwarding, warehousing and road transportation services to various domestic and multinational companies. LCLPL has an operational presence in seven states i.e. Madhya Pradesh, Maharashtra, Tamil Nadu, Kerala, Karnataka, Gujarat, Goa, Chhattisgarh and Andhra Pradesh.

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of LCLPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and improving business risk profile**

LCLPL was founded by Mr. Vaibhav Rai and Mrs. Savita Rai, who bring almost two decades of experience in warehousing, road transportation and clearing and forwarding services. The promoter's experience in transport logistic industry has helped the company to build healthy relationship with its reputed customers like Asian Paint India Limited, Panasonic India Private Limited and Colgate-Palmolive India Limited among others.

The operating income of LCLPL has been experiencing upward trend on year-on-year basis. The revenues of the company improved to Rs.77.31 crore in FY2019 as compared Rs.63.68 crore in FY2018 as against Rs.57.39 crore in FY2017. The operating and net profit margins improved to 19.06 percent and 5.65 percent in FY2019 from 14.79 percent and 5.60 percent in FY2018. This improvement is on the account of providing number of services to the existing and new clients.

Acuité believes that promoter's extensive experience in transport logistic industry would aid the business risk profile of the company over the medium term.

- **Moderate financial risk profile**

LCLPL's financial risk profile is moderate, marked by healthy net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood healthy at Rs.33.39 crore as on March 31, 2019. The net worth has grown gradually from Rs.25.61 crore as on March 31, 2017. The growth in net worth is fueled by healthy accretion to reserves. The company has followed moderate leverage policy, reflected through its peak gearing and Total outside Liabilities to Tangible net worth (TOL/TNW) level of 2.32 times as on March 31, 2018 and 2.84 times as on March 31, 2019. The total debt of the company stood at Rs.70.74 crore as on March 31, 2019. The gearing is expected to be in the around 1.41 to 1.98 times over the medium term. The debt protection metrics are moderate marked by interest coverage ratio stood (ICR) and debt service coverage ratio (DSCR) stood at 2.88 and 2.40 times respectively for FY2019. Acuité expects the financial risk profile to remain moderate over the medium term on account of healthy accretion to reserves and absence of significantly debt funded capex.

Weaknesses

- **Customer concentration risk**

The company is exposed to customer concentration risk as around 75.55 per cent of its total sales in FY2019 as against 64.66 percent of its total sales in FY2018, have been deriving from three customers – Asian Paint India Limited, Panasonic India Private Limited and Colgate-Palmolive India Limited. Acuité believes that the company to diversify its customer portfolio will be required to mitigate the risk.

- **Competitive and fragmented industry**

LCLPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting the company's margins.

Rating Sensitivity

- Substantial improvement in scale of operation while maintaining profitability margins over the medium term.
- Any stretch in liquidity owing to stretch in working capital operations and lower than expected cash accruals.

Material Covenants

None

Liquidity position: Adequate

The LCLPL has adequate liquidity profile marked by sufficient net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.4.45-7.94 crore during the last two years through FY2019, while its maturing debt obligations are in range of Rs.0.48-5.23 crore. The cash accruals of the company are estimated to remain around Rs.8.09-10.75 crore during FY2020-22. The working capital operations of LCLPL are moderate marked by gross current asset (GCA) days of 95 in FY2019. The cash credit limit remains utilised at 94 percent during the last 9 months ended December, 2019. The company maintains unencumbered cash and bank balances of Rs.0.50 crore as on 31 March, 2019. The current ratio stands at 0.49 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accrual against its debt obligations over the medium term.

Outlook: Stable

Acuité believes that the outlook on LCLPL will remain 'Stable' over the medium term on account of its long track record of operations as well as experience of promoters in logistic industry. The outlook may be revised to 'Positive' if the company registers significant and sustainable growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	77.31	63.68
PAT	Rs. Cr.	4.37	3.57
PAT Margin	(%)	5.65	5.60
Total Debt/Tangible Net Worth	Times	2.12	2.32
PBDIT/Interest	Times	2.88	2.97

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- 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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Dec-2019	Term Loan	Long Term	25.00	ACUITE BB+ (Indicative)
	Term Loan	Long Term	7.55	ACUITE BB+ (Indicative)
	Secured Overdraft	Long Term	30.00	ACUITE BB+ (Indicative)
	Proposed Bank Facility	Long Term	0.05	ACUITE BB+ (Indicative)
01-Oct-2018	Term Loan	Long Term	25.00	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	7.55	ACUITE BBB / Stable (Reaffirmed)
	Secured Overdraft	Long Term	30.00	ACUITE BBB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.05	ACUITE BBB / Stable (Assigned)
07-Jul-2017	Term Loan	Long Term	10.00	ACUITE BBB / Stable (Reaffirmed)
	Secured Overdraft	Long Term	30.00	ACUITE BBB / Stable (Reaffirmed)

***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 Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB (Revised from ACUITE BB+; Indicative & Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.55	ACUITE BBB/ Stable (Revised from ACUITE BB+; Indicative)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB/ Stable (Revised from ACUITE BB+; Indicative)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.05 (Enhanced from Rs.0.05 Cr.)	ACUITE BBB/ Stable (Revised from ACUITE BB+; Indicative)

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About Acuité Ratings & Research:

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