

Press Release

Life Care Logistic Private Limited

April 06, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.31	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	50.69	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	74.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.50.69 Cr. bank facilities of Life Care Logistic Private Limited (LCLPL). The outlook is '**Stable**'.

Further, Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.23.31 Cr. bank facilities of Life Care Logistic Private Limited (LCLPL). The outlook is '**Stable**'.

Rationale for reaffirmation of ratings

The rating reaffirmation draws comfort from the marginal improvement of operating income in FY2021 albeit the impact of covid-19, expected further improvement in operating income in FY2022, improvement in EBITDA margins, and debtors collection and creditors payment period. The rating is nonetheless constrained on account of deterioration in coverage indicators on the back of increased debt in the capital structure, build-up of current assets thus impacting working capital, stretched liquidity position, and below unity fixed asset turnover.

About the Company

Indore-based Life Care Logistic Private Limited (LCLPL) is a flagship company of Life Care Group, which was established by Mr. Vaibhav Rai in 1996. LCLPL is engaged in providing clearing and forwarding, warehousing, and road transportation services to various domestic and multinational companies.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and long track record of operations

LCLPL was founded by Mr. Vaibhav Rai and Mrs. Savita Rai, who have almost two decades of experience in warehousing, road transportation, and clearing and forwarding services. The promoter's experience in the transport logistic industry has enabled the company to build a reputed customer base with long-standing relationships. LCLPL's customer portfolio comprises renowned names like Asian Paint India Limited, Panasonic India Private Limited, and Colgate-Palmolive India Limited, among others.

Acuité believes that the company will benefit from the long track record of operations along with a healthy relationship with its customer and suppliers.

Stable scale operations while improvement in profitability indicators

LCLPL registered a stable operating income during the FY2019-21 period marked by Rs.83.13 Cr. in FY2021 as against Rs.79.53 Cr. in FY2020 and Rs.77.31 Cr. in FY2019. The profitability indicators have improved on a Y-O-Y basis marked by an EBITDA margin of 21.18 percent in FY2021 improving from 18.66 percent in FY2020 while the PAT margins stood at 2.21 percent in FY2021 as against 10.94 percent in FY2020. High PAT margins in FY2020 are on the back of tax credits received. Going ahead, with the start of the new warehouse in FY2023, the company's revenue is expected to continue to grow over the near term. LCLPL has already received an expression of interest from reputed players like Abbot India Ltd. and Reliance Industries for the new warehouse.

Moderate financial risk profile

LCLPL has a moderate financial risk profile marked by net worth, moderate gearing level, and debt protection metrics. The company's net worth as on March 31, 2021 stood at Rs.44.10 crore compared to Rs.42.12 crore as on March 31, 2020. This was on the back of higher net profit, which was accredited to reserves. The company's gearing level (debt to equity ratio) increased to 2.10 times as on March 31, 2021 from 1.62 times as on March 31, 2020 on account of additional long-term debt availed for building warehouses. TOL/TNW stood at 2.60 times as on March 31, 2021 against 2.15 times as on March 31, 2020. Overall debt of LCLPL increased to Rs.92.49 Cr. in FY2021 as against Rs.68.40 Cr. in FY2020 on the back of loans availed for the construction of the new warehouse. Coverage indicators have witnessed marginal deterioration marked by ICR of 2.58 times in FY2021 as against 3.05 times in FY2020, while the DSCR stood low at 1.20 times in FY2021 as against FY2020. Deterioration is majorly on account of an increase in interest payments and debt in the capital structure.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals and no major debt-funded capex in the near to medium term.

Weaknesses

Low returns vis-à-vis asset base

LCLPL generated an operating income of Rs.83.13 Cr. in FY2021 as against its asset base of Rs.118.62 during the same period. The investment in fixed assets is majorly towards the building of warehouses.

Deterioration in Working capital management

LCLPL has moderate working capital requirements that have deteriorated on a Y-O-Y basis marked Gross Current Assets (GCA) of 131 days in FY2021 as against 105 days in FY2020 and 95 days in FY2019, majorly buildup of other current assets in the form of short term loans and advances. The Debtors' collection period improved to 40 days in FY2021 as against 57 days in FY2020, consequently, its creditors' collection period stood at 78 days in FY2021 as against 87 days in FY2020. The average utilization of bank limit stood at ~97 percent for the 6 month period ended February 2022.

Acuité expects the working capital management to remain intensive over the medium term.

Competitive and fragmented industry

LCLPL operates in a highly competitive and fragmented industry characterized by a large

number of unorganized players, affecting the pricing power of organized players like LCLPL.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt coverage indicators or the liquidity position of the entity.

Material covenants

None

Liquidity Position: Stretched

LCLPL has stretched liquidity position marked by its Net cash Accruals (NCA) vis-à-vis its maturing debt obligations. LCLPL generated NCA of Rs.6.23 Cr. in FY2021 as against maturing debt obligations of Rs.7.19 Cr. during the same period, the shortfall is addressed via fund-based limits. The cash accruals are expected to be Rs.12.00-Rs.15.00 Cr., while its maturing debt obligations of Rs.12.00 Cr. during the FY2022-24 period. The cash and balances stood at 2.47 Cr. as on March 31, 2021, while the working capital requirements stood intensive marked by a GCA of 131 days in FY2021. LCLPL's current ratio stood at 0.60 times as on March 31, 2021 and its average bank limit utilization stood at ~97 percent for the 6-month period of February 2022.

Outlook: Stable

Acuité believes that the outlook on LCLPL would remain 'Stable' over the medium term on account of its long track record of operations along with experience of promoters in the logistic industry and improving scale of business. 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 a significant decline in cash accruals or stretched working capital cycle resulting in a deterioration of its financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	83.13	79.53
PAT	Rs. Cr.	1.92	8.70
PAT Margin	(%)	2.31	10.94
Total Debt/Tangible Net Worth	Times	2.10	1.62
PBDIT/Interest	Times	2.58	3.05

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>
- 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
27 May 2021	Secured Overdraft	Long Term	25.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Term Loan	Long Term	7.55	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Proposed Bank Facility	Long Term	25.05	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
26 Feb 2020	Secured Overdraft	Long Term	30.00	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Term Loan	Long Term	25.00	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Term Loan	Long Term	7.55	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Proposed Bank Facility	Long Term	25.05	ACUITE BBB Stable (Upgraded from ACUITE BB+)
23 Dec 2019	Term Loan	Long Term	7.55	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	25.00	ACUITE BB+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	30.00	ACUITE BB+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.05	ACUITE BB+ (Issuer not co-operating*)
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)
14 Jun 2017	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
15 Feb 2017	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
30 Nov 2015	Term Loan	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	18.90	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	1.79	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	22-07-2019	8.70	31-10-2027	16.31	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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