

Press Release

A S Cargo Movers Private Limited

April 25, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 80.00 crore bank facilities of A S Cargo Movers Private Limited (ASCM). The outlook is '**Stable**'.

ASCM, incorporated on 10 February, 1992, is a flagship of A. S. Group of Companies promoted by Mr. Amar Rahman and his wife, Mrs. Shahana Rahman. It generates revenues from leasing out warehouses based at Chennai and Karnataka. Currently, A. S. Cargo Movers Private Limited owns ~7.5 lakh sq. feet area of warehouses. The rental escalation clause is 5 percent every year.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of A S Cargo Movers Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

ASCM, part of the A S Group, is engaged in developing and leasing out warehouses to companies. The promoters have more than two decades of experience in the industry. Over the years, the group has developed around 5 million square feet of warehousing facility including 8.50 lakh square feet of multi storied warehouses.

Moderate financial risk profile

The financial risk profile is moderate with net worth of Rs.48.06 crore as on 31 March, 2019 (Provisional) as against Rs. 45.06 crore as on 31 March, 2018. The gearing (debt to equity ratio) stood at 2.78 times as on 31 March, 2019 (Provisional) as against 2.37 times as on 31 March, 2018. The total debt of Rs.133.44 crore consists of Lease rental loan of Rs. 69.61 crore, loans from directors of Rs. 7.06 crore and inter corporate loans of Rs. 56.77 crore as on 31st March, 2019 (Provisional). The interest coverage ratio (ICR) stood at 1.75 times in FY2019 (Provisional) as against 1.33 times in FY2018 and low debt service coverage ratio (DSCR) of 0.33 times as against 0.30 times in FY2018. The net cash accruals to total debt (NCA/TD) stood at 0.03 times in FY2019 (Provisional).

Improving revenue visibility and reputed clientele

The warehouse in Chennai has been leased out to MNCs including Pepsico India holdings Pvt Ltd, Delta India Electronics Pvt. Ltd. and Caterpillar India Private Ltd, among others for a period of around five to twelve years.

Waterfall mechanism in Escrow account

The terms of sanction for the term loan stipulate an escrow mechanism through which rent receipts are routed and used for payment as per the defined payment waterfall. Surplus cash flow after meeting tax expenses, operating expenses, debt servicing obligations can be utilised for acceleration of debt repayment.

Weaknesses

Agreement renewal risk

The ability of ASCM to timely renew the lease rental agreements at envisaged terms and variation in the credit profile of licensee is a key rating sensitivity.

Liquidity Position:

ASCM has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.2.50-4.60 crore during the last three years through FY2017-18, while its maturing debt obligations were in the range of Rs.5.66-6.09 crore over the same period. The cash accruals of the company are estimated to remain be in same range due to escalation clause of 5 percent each year in rentals, while its repayment obligations are estimated to be around Rs.5.88-8.69 crore. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

Outlook: Stable

Acuité believes that ASCM will maintain a 'Stable' outlook over the medium term owing to its experienced management and reputed tenants. The outlook may be revised to 'Positive' in case the company is able to renew its lease agreement within the stipulated time frame and generates excess cash flows from rental income. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	15.17	14.66	13.93
EBITDA	Rs. Cr.	12.98	12.39	11.07
PAT	Rs. Cr.	2.99	1.12	0.87
EBITDA Margin	(%)	85.58	84.47	79.48
PAT Margin	(%)	19.73	7.63	6.22
ROCE	(%)	7.09	6.81	6.48
Total Debt/Tangible Net Worth	Times	2.78	2.37	2.76
PBDIT/Interest	Times	1.75	1.33	1.33
Total Debt/PBDIT	Times	9.93	8.60	10.53
Gross Current Assets (Days)	Days	568	1,106	1,422

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
23-Jan-2018	Term Loan	Long Term	80.00	ACUITE BB (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 loan	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE BB / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.