

## Press Release

### A S Cargo Movers Private Limited

April 25, 2019

### Rating Reaffirmed



|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 80.00 Cr.               |
| <b>Long Term Rating</b>             | ACUITE BB / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuite 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

Acuite 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. Acuite 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

Acuite 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<br>(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<br>(Reaffirmed) |

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**About Acuité Ratings & Research:**

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