

Press Release

A S Cargo Movers Private Limited

September 06, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 80.00 crore bank facilities of A S CARGO MOVERS PRIVATE LIMITED. The outlook is '**Stable**'.

A S Cargo Movers Private Limited (ASCMPL), 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 ~6.1 lakh sq. feet area of warehouses. The rental escalation clause is 5 per cent every year. The company has leased out to some of the reputed clients namely Delta Electronics India Private Limited, Caterpillar India Private Limited, TVS Logistics Services Limited among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ASCMPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations**

ASCMPL is a part of AS group, promoted by Mr. Amar Rahman and family, who possess more than three decades of experience in various industries. The group possess vast experience in Real Estate, Infrastructure development, transportation, logistics, hospitality, among others. Over the years, the group has developed around 1.5 million square feet of warehousing facility. With the long standing operations and experience of the management has helped the company in improving revenue backed by maintaining relations with the reputed clientele.

Revenues of the company improved from Rs.13.93 crore in FY2017 to Rs.14.66 crore in FY2018 and Rs.15.58 crore in FY2019 (Provisional). The warehouse in Tamil Nadu and Karnataka are leased out to some of the reputed clients namely Delta Electronics India Private Limited, Caterpillar India Private Limited, TVS Logistics Services Limited, among others. The company has signed lease agreements for 2-10 years with minimum one year lock in period and price escalation of 5 per cent every year. Acuite believes that the revenue profile is expected to be stable backed by confirmed lease agreements with reputed clientele.

Weaknesses

• **Moderate financial risk profile**

Financial risk profile of the company is moderate marked by moderate gearing (Debt-Equity), debt protection metrics and below average total outside liabilities to total net worth (TOL/TNW). The gearing (debt-to-equity) stood moderate at 1.61 times as on 31 March, 2019 (Provisional) as against 1.85 times as on 31 March, 2018. TOL/TNW is below average at 3.08 times as on 31 March, 2019 (Provisional) as against 2.64 times as on 31 March, 2018. Net worth is moderate at Rs. 48.06 crore as on 31 March, 2019 (Provisional) as against Rs. 45.06 crore as on 31 March, 2018. Total debt of Rs. 77.55 crore as on 31 March, 2019 (Provisional) includes term loan of Rs69.61 crore and unsecured loans of Rs. 7.94 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 1.75 times and 0.06 times in FY2019 (Provisional) as against

1.33 times and 0.03 times in FY2018 respectively. The company reported low cash accruals of Rs.4.60 crore in FY2019 (Provisional), where the repayment obligations were about Rs.6 crore. Debt service coverage ratio (DSCR) is weak and stood below one for the last three years through FY2019 due to insufficient cash accruals to meet its repayment obligations. However, the company met part of the repayment obligations through unsecured loans from the promoters and advances from group entities. The cash accruals are expected in the range of Rs.5 crore – Rs.8 crore, against the repayment obligations of about Rs.6 crore - Rs. 11 crore. Any mismatch in cash flows over the medium term are met through unsecured loans from the promoters. Acuité believes that financial risk profile is expected to be moderate over the medium term.

- **Advances to group entities**

The company has given significant advances to the related parties which stood at about Rs.13.75 crore in FY2019 as against Rs.13.66 crore in FY2018. The company has given advances to A S Global Logistics Private Limited, A.S. Horticulture Private Limited, Reach Hotels Private Limited which are currently not operational.

- **Counterparty risk and agreement renewal risk**

The revenues of company are derived by way of rent from reputed corporates. The company ensures that the credit quality is satisfactory. However, the counterparty risk is significantly high in case of occurrence of any events such as changes in policy decisions by top management of the clientele, early exits or renegotiation by client in the on-going recessionary trend. Further, ability of the company to timely renew the lease rental agreements at envisaged terms and variation in the credit profile is a key rating sensitivity.

Liquidity position

Liquidity of ASCMPL is stretched marked by low cash accruals to its repayment obligations. The company reported low cash accruals of Rs.4.60 crore in FY2019 (Provisional). Debt service coverage ratio (DSCR) is weak and stood below one for the last three years through FY2019 due to insufficient cash accruals to meet its repayment obligations. However, cash accruals are expected to be in the range of Rs.5 crore-Rs.8 crore, against the repayment obligations of about Rs.6 crore - Rs. 11 crore. The company has unencumbered cash and bank balance of Rs.0.37 crore as on 31 March, 2019. Debtors are stretched to about one month for FY2019 and FY2018. The current ratio is moderate at 1.29 times in FY2019 (Provisional). Acuité believes that the liquidity of the company is expected to improve basis the expected increase in cushion, no further advances to group entities and capex plans.

Outlook: Stable

Acuité believes that ASCMPL will maintain a 'Stable' outlook over the medium term from its directors' industry experience. The outlook may be revised to 'Positive' in case of early payment of its loan obligations while improving its cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant advances to group entities, or larger-than expected debt-funded capex leading to deterioration of its financial flexibility and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	15.58	14.66	13.93
EBITDA	Rs. Cr.	13.39	12.39	11.07
PAT	Rs. Cr.	2.99	1.12	0.87
EBITDA Margin	(%)	85.96	84.47	79.48
PAT Margin	(%)	19.22	7.63	6.22
ROCE	(%)	9.32	8.04	7.34
Total Debt/Tangible Net Worth	Times	1.61	1.85	2.18
PBDIT/Interest	Times	1.75	1.33	1.33
Total Debt/PBDIT	Times	5.77	6.70	8.34
Gross Current Assets (Days)	Days	392	904	1115

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-17.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
25-Apr-2019	Term Loan	Long Term	80.00	ACUITE BB (Reaffirmed)
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	54.50	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BB / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE BB / Stable (Reaffirmed)

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About Acuite Ratings & Research:

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