

Press Release

A S Cargo Movers Private Limited

October 06, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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**'.

About the company

Incorporated in 1992, A S Cargo Movers Private Limited (ASCMPL) is a Chennai based company promoted by Mr. Amar Rahman and Mrs. Shahana Rahman. The company is engaged in the business of leasing warehouses. Currently, ASCMPL possesses around 6.1 lakh sq. feet area of warehouses, which are leased out to reputed clients, Delta Electronics India Private Limited, Caterpillar India Private Limited, TVS Logistics Services Limited, to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and established track record of operation**

The promoters of the company have around three decades of experience in developing and leasing properties. The extensive experience of the promoters along with its established track record of operations, is reflected through the long-term lease agreements with its reputed tenants. The long-term lease agreements ensure stable and timely rental income during the lease period. Acuité believes that ASCMPL will continue to benefit from its experienced management, established track record of operations and long-standing relationships with their clientele.

- Steady revenue stream from reputed clientele**

The company has entered into long term lease agreements with reputed clientele like Delta Electronics India Private Limited, Caterpillar India Private Limited, TVS Logistics Services Limited among others with the total leasable area of around 6.1 lakh square feet leasable area. These agreements have a tenure ranging from 2 to 10 years with price escalation of around 5 per cent every year. Acuité believes that the company is likely to benefit on account of healthy visibility of steady cash flows.

Weakness

- Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest networth, high gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.50.98 Cr as on March 31, 2020 (provisional) from Rs.46.54 Cr as on March 31, 2019. Gearing of the company stood high at 2.53 times as on March 31, 2020 (provisional) as against 2.97 times as on March 31, 2019. The debt of Rs.129.17 Cr consists of lease rent discounting loan and term loan from the bank of Rs.56.15 Cr, unsecured loan of Rs.7.83 Cr, advance received from group entity A.S. Carriers Private Limited (rated ACUITE BBB-/Stable) of Rs.56.70 Cr and current maturity of a term loan of Rs.8.50 Cr as on March 31, 2020 (provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.78 times as on March 31, 2020 (provisional) as against 3.25 times as on March 31, 2019. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.85 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 0.87 times as on March

31, 2020 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.03 times as on March 31, 2020. Acuité believes that financial risk profile is expected to be moderate over the medium term, in the absence of any major debt-funded capex.

- **Agreement renewal risk**

The revenues of the company are derived by way of rent from reputed corporates. The company ensures that credit quality is satisfactory. Conversely, the counterparty risk is high in case of occurrence of any events such as changes in policy decisions by top management willing to continue their warehouse space. In the event of non-renewal by the existing lessee, the future cash flows will be impacted, thereby translating to further weakening of debt protection indicators. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor. However, this risk is partially mitigated by the long-term relationship with reputed tenant base, which will support the business profile as witnessed in the past.

Rating Sensitivity

- Significant delays in payment of lease rentals by the counterparty
- Improvement in financial risk profile

Material Covenant

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by insufficient net cash accruals of Rs.6.03 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.8.12 Cr over the same period. The company had sold some properties in order to meet its debt obligations. Debt service coverage ratio (DSCR) is weak and stood below one for the last three years through FY2020 (provisional). The company has availed the loan moratorium. The cash and bank balances of the company stood at Rs.0.12 Cr as on March 31, 2020 (provisional) as compared to Rs.0.34 Cr as on March 31, 2019. The current ratio stood weak at 0.92 times as on March 31, 2020 (provisional) as compared to 1.09 times as on March 31, 2019. Acuité believes the liquidity of the company will remain stretched on account of the generation of lower than anticipated cash accruals. However, the liquidity may improve basis the expected increase in the cushion, no further advances to group entities and capex plans.

Outlook: Stable

Acuité believes that the outlook on ASCMPL will remain 'Stable' over the medium term on account of experienced management, steady cash flows from lease rentals, strong counterparties and the presence of escrow mechanisms for a loan from the bank. The outlook may be revised to 'Positive' in case of a sharp increase in the DSCR due to better-than-expected lease rentals. The outlook may be revised to 'Negative' if a significant dip in the lease rentals or re-negotiations leading to lower cash flows impacting the debt protection metrics or unexpected termination of existing leases or substantial debt-funded capital expenditure or higher than expected impact on rentals and occupancies on account of COVID19 or any significant investments to other group entities.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	16.19	15.09
PAT	Rs. Cr.	4.43	1.48
PAT Margin	(%)	27.39	9.82
Total Debt/Tangible Net Worth	Times	2.53	2.97
PBDIT/Interest	Times	1.85	1.43

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Sep-2019	Term Loan	Long Term	54.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	13.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	4.80	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB/Stable (Reaffirmed)
25-Apr-2019	Term Loan	Long Term	54.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	13.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	4.80	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB/Stable (Reaffirmed)
23-Jan-2018	Term Loan	Long Term	54.50	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	13.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	4.80	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	0.70	ACUITE BB/Stable (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 Available	Not Applicable	Not Available	54.50	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	13.00	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	7.00	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	4.80	ACUITE BB/Stable (Reaffirmed))
Term Loan	Not Available	Not Applicable	Not Available	0.70	ACUITE BB/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022- 67141160 rating.desk@acuite.in
Kaustav Saha Senior Rating Analyst- Rating Operations Tel: 033-6620-1211 kaustav.saha@acuite.in	

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 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.