

## Press Release

### A S Cargo Movers Private Limited

October 06, 2020

## Rating Reaffirmed



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

Acuite 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<br>Head- Corporate and Infrastructure Sector Ratings<br>Tel: 033-6620 1203<br><a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a><br><br>Kaustav Saha<br>Senior Rating Analyst- Rating Operations<br>Tel: 033-6620-1211<br><a href="mailto:kaustav.saha@acuite.in">kaustav.saha@acuite.in</a> | Varsha Bist<br>Senior Manager -<br>Rating Desk Tel: 022-<br>67141160<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |

## About Acuité Ratings & Research

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