Press Release

Safe And Secure Logistics Private Limited

D-U-N-S® Number: 67-548-4951

March 29, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** and short term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs. 23.50 crore bank facilities of SAFE AND SECURE LOGISTICS PRIVATE LIMITED (SSPL). The outlook is **'Stable'**.

Incorporated in 1994, SSPL is a Mumbai-based company engaged in providing third party logistics services. The company is promoted by Mr. Rambilash Agarwal and Mr. Ashwin Agarwal. SSPL and HFC own a total fleet of 206 vehicles ranging from 1-40tonnes.

About the Group

HFC has been in transportation business for seven decades with SSPL starting its business in 1994. Out of the total fleet of 206 vehicles owned by HFC, 36 percent of SSPL's requirement is met by HFC and remaining 64 percent is met by other vendors in the market.

Analytical Approach

Acuité has considered the consolidation of business and financial profiles of Safe and Secure Logistics Private Limited (SSPL) and Hariyana Freight Carriers (HFC), together referred to as 'The Group'. The consolidation is due to common management, same line of business and strong operational synergies between the two companies. Extent of consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

  SSPL has long vintage of operations of nearly seven decades in the logistics business through their group company, HFC. The promoter of the group, Mr. Rambilash Agarwal has experience of nearly four decades in the same line of business and is ably assisted by an experienced second line of management. Mr. Ashwin Agarwal possesses more than a decade of experience in this industry and manages the day to day operations of the group. The group maintains strong relationship with reputed clients due to long standing presence in this industry.

  Acuité believes that the group will benefit from experienced management, which will help the group with repeat orders from customer such as Tata Motors Limited, Mondelez India Foods Private Limited, Ferrero India Private Limited and AAK Kamani Private Limited and its suppliers.

- **Moderate financial risk profile**

  The financial risk profile of the group is moderate marked by tangible net worth of Rs.15.44 crore as on 31 March, 2018 as against Rs.15.31 crore in the previous year. The gearing stood moderate at 1.48 times as on 31 March, 2018 as against 1.63 times in the previous year. The total debt of Rs.22.92 crore includes term loan from bank of Rs.3.09 crore, working capital borrowings of Rs.18.48 crore and unsecured loan of Rs.1.35 crore. Interest Coverage Ratio (ICR) stood at 2.81 times in FY2018 as against 3.04 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.74 times as on 31 March, 2018 as against 2.02 times in the previous year. The net cash accruals to total debt

(NCA/TD) stood at 0.17 times in FY2018 compared to 0.19 times in FY2017.

Going forward, Acuité believes that the group's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Comfortable working capital operations**

The group operates in comfortable working capital nature marked by Gross Current Assets (GCA) of 101 days in FY2018 as against 111 days in FY2017. This is majorly on account of collection period of 87 days in FY2018 against 99 days in FY2017. Acuité believes that the group will continue to effectively manage its working capital cycle in order to maintain a stable credit profile

Weaknesses

- **Modest scale of operations**

The group has modest scale of operations despite having its presence in the industry for almost seven decades marked by operating income of Rs.121.26 crore in FY2018 as against Rs.118.73 crore in FY2017 and Rs.112.55 crore in FY2016. The group booked revenue of Rs.130.08 crore for the period April 2018 to January, 2019. Further, the operating margins stood at 5.63 percent in FY2018 as against 5.57 percent in FY2017 and 5.50 percent in FY2016. The group reported Profit after Tax (PAT) margin of 1.84 percent in FY2018 against 1.93 percent in FY2017 and 0.70 percent in FY2016. The operating margins are modest as the group is unable to transfer the escalation in expenses to its customers.

- **Exposure to intense competition**

The domestic road freight transport industry has several large and small players because of low entry barrier (modest capital and technology requirements, and easy access to finance for vehicles). The group will be exposed to risk related to intense competition because of fragmented industry which limits the bargaining power with customers.

Liquidity position:

The group has moderate liquidity marked by moderate net cash accruals as compared to its maturing debt obligations. SSPL generated cash accruals of Rs.3.24-4.78 crore during the last three years through 2017-18, while the maturing debt obligations were in the range of Rs.0.75-1.10 crore over the same period. The cash accruals are estimated to remain around Rs.4.50-7.00 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.10 crore. SSPL maintains cash and bank balances of Rs.2.24 crore as on March 31, 2018. The current ratio stood moderate at 1.61 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain moderate over the medium term on account of no major repayments over the medium term.

Outlook: Stable

Acuité believes that the group will maintain 'Stable' outlook over the medium term from its promoter's experience in the industry and financial risk profile. The outlook may be revised to 'Positive' in case the group is able to register healthy revenues and sustain its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the group's revenue, profit margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	121.26	118.73	112.55
EBITDA	Rs. Cr.	6.82	6.62	6.20
PAT	Rs. Cr.	2.24	2.29	0.79
EBITDA Margin	(%)	5.63	5.57	5.50
PAT Margin	(%)	1.84	1.93	0.70
ROCE	(%)	13.32	13.28	20.94
Total Debt/Tangible Net Worth	Times	1.48	1.63	1.96
PBDIT/Interest	Times	2.81	3.04	2.20
Total Debt/PBDIT	Times	3.30	3.24	3.89
Gross Current Assets (Days)	Days	101	111	104

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Entities In Services Sector - https://www.acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3

Contacts

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About Acuité Ratings & Research:
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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.