Press Release

Safe and Secure Logistics Private Limited

March 04, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 23.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed a long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and the short term rating of **'ACUITE A3' (read as ACUITE A three)** to Rs.23.50 crore of the bank facilities of Safe and Secure Logistics Private Limited. The outlook is **'Stable'**.

Incorporated in 1994, Safe and Secure Logistics Private Limited (SSPL) is engaged in providing third party logistics services including transportations networks ranging from full truck load, part truck load, small packages and over dimensional cargos. Currently, the company is headed by Mr. Rambilas Agarwal and Mr. Ashwin Agarwal.

About the group

Established in 1950, Hariyana Freight Carriers (HFC) operated throughout the country with their own fleets as well as attached fleets. HFC currently has more than 200 own fleets and being utilized by SSPL for their operations.

Analytical Approach

Acuité has consolidated the business and financial profiles of Safe and Secure Logistics Private Limited (SSPL) and Hariyana Freight Carriers (HFC), together referred to as 'SS 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 Long track record of operations**

The SS group has a long operational track record of more than seven decades with Hariyana Freight Carriers (HFC) and more than two decades with Safe and Secure Logistics Private Limited (SSPL) in the transportation industry. Currently, the promoter Mr. Rambilas Agarwal and second generation promoter Mr. Ashwin Agarwal who have long standing experience in the business are managing the day to day operations of the group. Acuité believes the long track record has helped the group to establish healthy relationship with reputed customers and ensure repeat orders which will benefit the group going forward resulting in steady growth in the scale of operations.

- **Efficient working capital management**

The working capital management of the group is marked by moderate Gross Current Assets (GCA) of 81 days in 31st March 2019 as compared to 79 days in 31st March 2018. Further, the debtor period is comfortable at 68 days in 31st March 2019 similar to previous year. Acuité believes that the working capital operations of the group will remain comfortable as evident from efficient collection mechanism over the medium term.

- **Moderate financial risk profile**

The group's financial risk profile is marked by modest networth, moderate gearing and healthy debt protection metrics. The tangible net worth of the group improved to Rs.17.05 crore as on March 31, 2019 from Rs.15.44 crore as on March 31, 2018 due to retention of profits. The group has moderate gearing at 1.63 times as on March 31, 2019 as against 1.48 times as on March 31, 2018. The debt of Rs.27.80 crore mainly consists of long term debt of Rs.1.00 crore and working capital borrowing of Rs.24.13 crore and current maturity of term loan of Rs.1.19 crore and unsecured loan of Rs.1.48 crore as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood modest at 1.96 times as on March 31, 2019 as against 1.74 times as on March 31, 2018. The comfortable debt protection metrics of the group is marked by Interest Coverage Ratio at 2.56 times as on FY2019 as against 2.81 times as on FY2018 and the Debt Service Coverage Ratio stood comfortable at 2.07 times as on FY2019 as against 2.32 times as on FY2019. Acuité believes that going forward the financial risk profile of the group will remain moderate backed by steady accruals and no major debt funded capex plans.

Weakness

- **Low profitability margins**

The profitability margins of the group are low on account of fluctuation in diesel prices, increase in spare part and tyre prices, increase in toll, insurance and government road taxes and increase in drivers' wages. The operating margin of the group stood low at 3.51 per cent as on FY2019 as against 4.40 per cent as on FY2018. Further, the profit after tax (PAT) margin stood low at 1.15 per cent in FY2019 as against 1.44 per cent in FY2018. Acuité believes that the group's ability to improve its profitability will be key rating sensitivity.

- **Competitive industry**

The transportation industry is marked by the presence of several mid to big size players. The group faces intense competition from other players in the sectors. However, this risk is mitigated to an extent on account of the extensive experience of the management and well established presence in the industry.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin

Material Covenant

None

Liquidity Profile

The group's liquidity is adequate marked by moderate net cash accruals of Rs.3.44 crores in March 31, 2019 as against long term debt repayment of Rs.1.19 crores over the same period. The current ratio stood at 1.45 times as on March 31, 2019 as compared to 1.58 times as on March 31, 2018. The fund based limit remains utilised at 84 percent over the twelve months ended December, 2019. The cash and bank balances of the group stood at Rs.3.28 crore as on March 31, 2019 as compared to Rs.2.24 crore as on March 31, 2018. The working capital management of the group is comfortable as reflected by Gross Current Assets (GCA) of 81 days in March 31, 2019 as against 79 days in March 31, 2018. Acuité believes that going forward the group will maintain adequate liquidity position due to moderate accruals and modest networth base.

Outlook: Stable

Acuité believes the outlook on the group will remain stable over the medium term on account of vast experience of the promoters and prudent working capital management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	189.45	154.98
PAT	Rs. Cr.	2.17	2.24
PAT Margin	(%)	1.15	1.44
Total Debt/Tangible Net Worth	Times	1.63	1.48
PBDIT/Interest	Times	2.56	2.81

Status of non-cooperation with previous CRA (if applicable)

India Ratings & Research, vide its press release dated October 31, 2019 had denoted the rating of Safe and Secure Logistics Private Limited as 'CRISIL BB+/Stable/A4+; ISSUER NOT COOPERATING'

CARE, vide its press release dated July 10, 2019 had denoted the rating of Safe and Secure Logistics Private Limited as 'CRISIL B+/Stable/A4; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Default Recognition- https://www.acuite.in/view-rating-criteria-17.htm
- Entities In Services Sector -https://www.acuite.in/view-rating-criteria-8.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
29-Mar-2019	Cash Credit	Long Term	23.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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.