

Press Release

Safe and Secure Logistics Private Limited

April 01, 2021

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 the 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**) on the Rs. 23.50 crore bank facilities of Safe and Secure Logistics Private Limited (SSPL). The outlook is '**Stable**'.

About the company

Safe and Secure Logistics Private Limited (SSPL) is based of Mumbai and was incorporated in 1994. The company is engaged in providing third party logistics services including transportsations networks ranging from full truck load, part truck load, small packages and over dimensional cargos. Currently, the company is headed by Mr. Rambilash Agarwal and Mr. Ashwin Agarwal.

About the group

Group has established presence since 1950, through sister concern of SSPL, Haryana Freight Carriers (HFC) has operations throughout the country with their own fleets as well as attached fleets. As on today HFC is having around 210 fleets and being utilized by SSPL for their operations. HFC meets 50 percent of the requirement to support SSPL in third party logistics services.

Analytical Approach

Acuité has consolidated the business and financial profiles of Safe and Secure Logistics Private Limited (SSPL) and Haryana 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, established track record of operations and reputed clientele

SS group 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 is supported by second line of management. The group maintains strong relationship with reputed clients due to long standing presence in this industry. The experience of promoters has resulted in stable business risk profile. 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, Exide Industries Limited, Mondelez India Foods Private Limited, Ferrero India Private Limited to name few and established relationship with its suppliers.

• Moderate financial risk profile

The Group's financial risk profile is moderate, marked by a moderate networth, low gearing and above average debt protection metrics. The networth stood moderate at Rs. 24.00 crores as on March 31, 2020

which has seen improvement over the last year which stood at Rs 17.05 crores. The networth includes unsecured loans of Rs.5.76 crores treated as quasi capital. The Debt to equity improved to 0.87 times as on March 31, 2020 as compared to 1.63 times as on March 31, 2019. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.18 times as on March 31, 2020 as against 1.96 times as on March 31, 2019. The interest coverage ratio stood at 2.57 times as on March 31, 2020 as against 2.56 times as on March 31, 2019. The Debt Service Coverage Ratio (DSCR) stood moderate at 1.84 times as on March 31, 2020 and 2.07 times as on March 31, 2019. 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.

• **Moderate Working capital cycle**

SS group working capital cycle is moderately managed as reflected by its gross current asset (GCA) days of around 112 days estimated as on March 31, 2020 as against 101 days as on March 31, 2019. There is elongation in receivables due to pandemic. The group extends a credit period of around 60-90 days to its customers. The receivables stood at 93 days as on March 31, 2020 as against 84 days as on March 31, 2019. On the other hand, the company gets 15 to 20 days credit from its suppliers. As a result, the reliance on working capital limits working capital limits stood moderately utilised at 73.00 percent for last six month ending January 2021. While the peak utilization is also high at around 99.00 per cent during the same period. Acuite expects the working capital management to remain moderate over the medium term on account of extended credit period provided to its customers.

Weaknesses

• **Low profitability margins**

The operating margin of the group stood low at 4.29 per cent as on FY2020 as against 4.34 per cent as on FY2019. Further, the profit after tax (PAT) margin stood low at 1.28 per cent in FY2020 as against 1.42 per cent in FY2019. 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. Acuité believes that the group's ability to improve its profitability will be key rating sensitivity.

• **Presence in highly fragmented and competitive industry**

The group operates in a highly fragmented industry with stiff competition from organised and unorganised players in domestic and international market, which limits the company's flexibility to pass on the increase in cost to the customers. Thus, on account of stiff competition from other domestic and global players, SS group continues to face the pricing pressure leading to dip in probability. However, this risk is mitigated to an extent on account of the extensive experience of the management and well-established presence in the industry.

Liquidity position: Adequate

The group's liquidity is adequate marked by net cash accruals in the range of Rs. 3.10 to Rs. 3.95 crores for last three years ending FY2020. The repayment obligations for the same period stood at Rs. 0.30 to 0.60 crores for the same period. The GCA days have stood at 112 days in FY2020 from 101 days in FY2019. The current ratio stood at 1.76 times in FY2020 as against 1.48 times in FY2019. The company maintained bank deposits and unencumbered cash and bank balances of Rs.2.95 crores as on March 31, 2020. The NCA/TD stood at 0.15 times, in FY2020 and 0.12 times in FY2019 respectively. Acuité believes that going forward the group is expected to maintain adequate liquidity position on the back of moderate cash accruals and stable business profile.

Rating Sensitivities

- Improvement, sustainability and healthy growth of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.
- Significant increase in repayment obligation and interest costs.

Material Covenants

None

Outlook: Stable

Acuite believes that the group will continue to benefit over the medium term due to its established market position, established relations with its customers and suppliers, moderate financial risk profile and moderate working capital management. The outlook may be revised to "Positive", if the group demonstrates substantial and sustained growth in its revenues while maintaining operating margins from the current levels. Conversely, the outlook may be revised to "Negative", if group generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or further stretch in its working capital cycle, or larger-than expected debt-funded capex or any significant withdrawal of capital thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	144.29	153.21
PAT	Rs. Cr.	1.85	2.17
PAT Margin	(%)	1.28	1.42
Total Debt/Tangible Net Worth	Times	0.87	1.63
PBDIT/Interest	Times	2.57	2.56

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-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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
04-Mar-2020	Cash Credit	Long Term	23.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
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. Crore)	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:

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