



Press Release
Safe And Secure Logistics Private Limited
July 21, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	0.50	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	23.50	-	-

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE BBB-'** (read as **ACUITE Triple B minus**) from **'ACUITE BB+'** (read as **ACUITE Double B Plus**) and the short term rating to **'ACUITE A3'** (read as **ACUITE A three**) from **'ACUITE A4+'** (read as **ACUITE A Four Plus**) on the Rs. 23.50 crore bank facilities of Safe and Secure Logistics Private Limited (SSPL). The outlook is **'Stable'**.

Rationale for Upgrade

The upgrade in the rating reflect continuous improvement in the overall business and financial risk profile of the company. The improvement in the business risk profile is reflected through the increased scale of operation in FY2023 as compared to the preceding years on account of increase in demand of transportation to several industries namely Automobile, Retail & Fashion, Healthcare & Pharma, Steel & Power, Paints & Lubricants, Oil & Gases, etc. The group has recorded an operating income of Rs.299.62 crore in FY2023 (Prov) as against Rs.231.32 crore in FY2022. Further, the rating continues to derive strength from extensive experience of the management, its efficient working capital operations and adequate liquidity position. However, the above mentioned strengths are partly offset by 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.

Further, the business of the group is not limited to transporting, it also deals in to warehouse services, third party logistics services, cold chain logistics and milk run services. Also, the group has a major customer in the name of TATA Motors Ltd which has 60-62% of share in the group's revenue followed by Mondelez India Foods Pvt Ltd. (6-8%).

About 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 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

Group has established presence since 1950, through sister concern of SSPL, Hariyana 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.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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, Aak India Private Limited to name few and established relationship with its suppliers.

>Moderate financial risk profile

The financial risk profile of the group stood moderate, marked by moderate net worth, low gearing (debt-equity) and above average debt protection metrics. The tangible net worth stood at Rs.32.23 crore as on 31 March 2023 (Prov) as against Rs.26.32 crore as on 31 March, 2022. The total debt of the company stood at Rs.11.70 crore as on March 31, 2023 (Prov) which includes long-term debt of Rs.3.24 crore, short-term debt of Rs.3.93 crore and unsecured loans of Rs.4.53 crore.. The gearing (debt-equity) stood low at 0.36 times as on 31 March 2023 (Prov) as compared to 1.39 times as on 31 March, 2022. Interest Coverage Ratio stood at 5.19 times for FY2023 (Prov) as against 3.97 times for FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.10 times as on 31 March, 2023 (Prov) as against 2.02 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.68 times for FY2023 (Prov) as against 0.15 times for FY2022. 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.

>Efficient Working capital cycle

The working capital management of the group is efficient marked by GCA days of 68 days in FY23 (Prov) as against 104 days in FY22. Debtor's collection period stood at 60 days in FY23 (Prov) as against 92 days for FY22. Generally, the group gives a credit period of 60 days to its customers. Furthermore, the creditor days stood at 26 days in FY23 (Prov) as against 23 days in FY22. Generally, the group gives the credit period of 25 days. As a result, average utilization of its fund-based limits of around ~24 percent and non-fund-based limits of around ~80 percent in last 06 months ending April' 2023.

Acuite expects the working capital management to remain efficient over the medium term.

Weaknesses

>Low profitability margins

The operating margin of the group stood low at 4.16 per cent as on FY2023 (Prov) as against 4.09 per cent as on FY2022. Further, the profit after tax (PAT) margin stood low at 2.01 per cent in FY2023 (Prov) as against 1.86 per cent in FY2022. 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 a 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. 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 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 interest costs

Material Covenants

None

Liquidity Position: Adequate

The group's liquidity position is adequate, marked by comfortable net cash accruals against the maturing debt obligations. The group generated sufficient net cash accruals in the range of Rs.4.38-7.96 Crore from FY2021-23. In addition, it is expected to generate sufficient net cash accrual in the range of Rs.11.51-14.42 crore against the maturing repayment obligations of Rs.1.00-1.08 crore over the medium term. The working capital management of the group is efficient marked by GCA days of 68 days in FY2023 (Prov) as against 104 days in FY2022. The average utilization of its fund-based limits of around ~24 percent and non-fund-based limits of around ~80 percent in last 06 months ending April' 2023. The company maintains unencumbered cash and bank balances of Rs.0.20 crore as on March 31, 2023 (Prov). The current ratio stands at 2.13 times as on March 31, 2023 (Prov), as against 1.85 times as on 31 March, 2022.

Acuité believes that going forward the group is expected to maintain adequate liquidity position on the back of moderate cash accruals.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	299.62	231.32
PAT	Rs. Cr.	6.02	4.30
PAT Margin	(%)	2.01	1.86
Total Debt/Tangible Net Worth	Times	0.36	1.39
PBDIT/Interest	Times	5.19	3.97

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

CareEdge Ratings, vide its press release dated December 22, 2022 had denoted the rating to Safe and Secure Logistics Private Limited (SSLPL) as 'CARE B/Stable/A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2022	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	23.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
01 Apr 2021	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE BBB- Stable (Reaffirmed)
04 Mar 2020	Cash Credit	Long Term	23.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3 Upgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.00	ACUITE BBB- Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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