

Press Release

Access Warehousing Private Limited

December 16, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.00 Crore bank facilities of Access Warehousing Private Limited. The outlook is '**Stable**'.

Access Warehousing Private Limited (AWPL), incorporated in 2013 by Mr. Shivraj Desai is based out of Bangalore is engaged in warehousing and secondary transportation along with some other value-added services.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AWPL for arriving at the rating.

Key Rating Drivers

Strengths

- Experienced management coupled with long track of operations**
 AWPL, promoted by Mr. Shivraj Desai is into existence for the last 7 years now. Mr. Desai has an experience of more than two decades in this said line of business as he has worked with different reputed FMCG companies, namely ITC Ltd, Nestle Ltd for more than 25 years in the supply chain domain and subsequently headed the logistics department for pan India. Later he moved out of the corporate to start his own venture AWPL. Today, AWPL is responsible for receiving materials at the warehouse, putting away the materials to appropriate locations, accounting stocks in the system, picking, co-packing, staging, invoicing all the materials, and dispatching and transporting the materials. It also offers storage-bulk handling for food, pharmaceuticals, automobiles, and other materials and deals in all kinds of transportation including Air & Ocean freight. There are additional value-added services for the customers to get an all-round benefit. The experience of the promoter and the all-round services provided the company has led to its association with several reputed companies like United Breweries, Metro Cash & Carry, ITC Ltd, Kellogg India Pvt Ltd, etc. among others. Acuité believes that the promoter's industry experience and established relation with its customers and suppliers will aid AWPL's business risk profile over the medium term.
- Moderate scale of operations; albeit improving**
 AWPL's scale of operations is fairly moderate though growing, with revenue levels in the range of Rs.25.4 Cr to Rs.38.4 Cr during the last three years ended in FY2020. The operating margin has also sustainably improved and stood in the range of 7.47 to 9.89 percent over the last three years ending FY2020. The revenue growth is improving year-on-year on account of additions of new and reputed client with defined payment terms bound by a contract. The company has achieved revenue of Rs.16.7 Cr for H1FY2021 with margins at 11 percent and the company expects to clock a total revenue of Rs.45 Cr by the end of FY2021. The company's operations were not impacted by covid. Acuité believes that AWPL's scale of operations is likely to improve over the medium term given the monthly revenue pattern and continuous additions of new clientele.
- Average financial risk profile supported by comfortable debt protection metrics**
 AWPL's financial risk profile is average, marked by average capital structure and supported by comfortable debt protection metrics. AWPL has a low net worth profile stood at Rs. 6.53 Cr as on March

31, 2020 (Prov) as against Rs.4.25 Cr as on previous year. Low net worth and moderate debt levels resulted in average gearing (debt-to-equity) and total outside liabilities to tangible network (TOL/TNW) ratio of 0.61 times and 1.40 times respectively, as on March 31, 2020 (Prov) vis-à-vis 1.07 times and 2.08 times March 31, 2019.

Debt protection metrics were also comfortable, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 9.24 times and 0.65 times, respectively, in FY2020 (Prov) vis-à-vis 7.62 times and 0.42 times for FY2019. Its accruals are expected in the range of Rs. 2.70 Cr – Rs.3.20 Cr over the medium term, against repayment obligations of about Rs. 0.36 Cr to Rs.0.38 Cr. Acuite believes that in the absence of any major debt-funded capital expenditure plan in the near term; healthy cash accruals supported by lower reliance on the debt will lead to healthy financial risk profile over the medium term.

Weaknesses

- **Moderately intensive working capital operations**

The working capital operations are moderately intensive reflected by GCA days in the range of 92 to 122 days over the last 3 years ending March 31, 2020 (Prov). The GCA days are marked by high debtor days. The GCA days are also driven on account of high other current assets like security deposit money and balances with government authorities, etc. The GCA cycle has led to moderately high utilization of bank lines at 73.1 percent over the past twelve months ending September, 2020. Acuite believes that the operations of the AWPL will remain moderately intensive on account of billing terms with customers and receipt of payments.

- **Competitive Industry**

The logistics industry is marked by the presence of several mid to big size players. The group faces intense competition from other players in the sectors. Further, AWPL's agreements with customers are for a period of 2 to 3 years and renewable post expiry. However, this risk is mitigated to an extent on account of the experience of the management and association with reputed clientele.

Rating Sensitivities

1. Improvement in scale of operations whilst maintaining the profitability margins
2. Stretch in working capital cycle, leading to an increase in working capital borrowings and weakening of financial risk profile and liquidity

Liquidity: Adequate

AWPL's liquidity is adequate, marked by adequate net cash accruals against its modest debt obligations, healthy current ratio. AWPL generated cash accruals of Rs.2.60 Cr in FY2020 (Prov) against debt obligations of Rs.0.07 Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.70 Cr – Rs.3.20 Cr during FY2021-23 against repayment obligations of Rs.0.36 Cr – Rs.0.38 Cr for the same period. The average fund-based working capital utilization stood moderately high at 73.1 percent for the past 12 months ended September, 2020. The company has maintained modest unencumbered cash and bank balances over the last three years ending March 31, 2020 (Prov). The cash and bank balance as on March 31, 2020 (Prov) stood low at Rs.0.09 Cr. The current ratio stood modest at 1.81 times as on March 31, 2020 (Prov). Acuite believes that AWPL's liquidity will remain adequate over the medium term backed by adequate cash accruals against repayment obligations.

Outlook: Stable

Acuite believes that AWPL will continue to benefit over the medium term due to its experienced management. The outlook may be revised to 'Positive', in case of higher-than-expected revenues and sustained improvement in profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case AWPL registers lower-than-expected decline in revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to the deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	38.40	30.14
PAT	Rs. Cr.	2.28	1.70
PAT Margin	(%)	5.95	5.63
Total Debt/Tangible Net Worth	Times	0.61	1.07
PBDIT/Interest	Times	9.24	7.62

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

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>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	3.50	ACUITE BB+/Stable (Assigned)
Term Loan	Apr, 15	12.50%	Aug, 27	2.00	ACUITE BB+/Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.36	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE A4+ (Assigned)

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About Acuite Ratings & Research:

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