

## Press Release

### Access Warehousing Private Limited

December 16, 2020



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/ Outlook: Stable (Assigned)
<b>Short Term Rating</b>	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 networth (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. Acuité 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. Acuité 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 to3 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). Acuité believes that AWPL's liquidity will remain adequate over the medium term backed by adequate cash accruals against repayment obligations.

## Outlook: Stable

Acuité 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)

### Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Sagarikaa Mukherjee Analyst - Rating Operations Tel: 022-49294033 <a href="mailto:sagarikaa.mukherjee@acuite.in">sagarikaa.mukherjee@acuite.in</a>	

### About Acuité Ratings & Research:

Acuité Ratings & Research 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 8,000 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.