

Press Release

Exim Logistics Private Limited

November 10, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.28.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned 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**) to the Rs.28.50 Cr bank facilities of Exim Logistics Private Limited (ELPL). The outlook is '**Stable**'.

The rating on ELPL is derived from the sound business risk profile of the company marked by experienced management, comfortable order book position and long association with its reputed clientele. Further, the rating also draws comfort from the company's moderate financial risk profile and adequate liquidity position. These strengths are however, partly offset by the declining scale of company's operations, recent stretch in the working capital cycle and intensity of competition in the logistic business.

About the company

Incorporated in 2006, ELPL is a Bhubaneswar, Odisha based company promoted by Mr. Himadri Pattanayak. The company is engaged in providing logistics services through air, sea and mainly road transportation. ELPL is an IBA approved transporter and operates on an asset light business model with around 95 per cent of its fleet hired from a network of truck vendors/operators. The company has a PAN India presence and a strong network abroad. It also acts as a custom house agent but majority of the company's revenue is generated from the freight and transportation segment.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of ELPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established relationships with reputed customers**

The promoter directors, Mr. Himadri Keshari Pattanaik & Mrs. Jharana Guru have about 20 years and 15 years of experience respectively in the logistics sector. Prior to ELPL, Mr. Pattanaik was running a proprietorship logistics concern. The company has a long track record of 15 years. The company has received several accolades for its performance from Tata Steel Ltd., India Oil Corporation Ltd (IOCL), ILA & Zee Business and Silicon India throughout their journey. Over the period, ELPL has developed a strong PAN India clientele from which it receives regular orders. Reputed clients like Tata Group, Aarti Steels Limited, Shyam Group, Hindalco Industries Limited and more have been associated with the company since over a decade. Moreover, majority of the company's clientele are renowned companies with strong credit profiles, resulting in low counterparty risk. Acuite believes that the long track record and management expertise will continue to support the business, going forward.

- Comfortable order book position and asset light business model**

The company has an unexecuted order book position to the tune of about Rs.343 Cr as on 30th Sept, 2021, imparting comfortable revenue visibility over the medium term. This order book will be executed in a time span of 12 – 15 month period. The company has recently bagged an order from JSW in Oct'21 for custom clearance of 500-600 containers every week from the Vizag port. ELPL owns a fleet of about 100 vehicles for road transportation registered under 'Sukinda Mineral Truck Owners Association' but over 95 per cent of its logistics service is provided through hired fleet from a network of truck vendors/operators, as the company operates on an asset light business model. It is cost efficient and the company attains the flexibility to balance its scale of operations in line with the economic cycles.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by moderate networth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.24.00 Cr as on 31st March, 2021 (prov.) as compared to Rs.22.15 Cr as on 31st March, 2020 due to accretion of reserves. Gearing stood high at 1.76 times as on 31st March, 2021 (prov.) as compared to 1.57 times as on 31st March, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.66 times as on 31st March, 2021 (prov.) as compared to 2.61 times in the previous year. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 2.47 times and Debt Service coverage ratio at 1.46 times as on 31st March, 2021 (prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31st March, 2021 (prov.) from 0.20 times as on 31st March, 2020. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weaknesses

- **Declining revenue trend along with concentration risk**

The company's top line has witnessed a steady decline in the past 3 years till FY'21. The company achieved a revenue of Rs.214.68 Cr till March, 2021 (prov.) as against Rs.257.32 Cr in FY2020 and Rs.272.26 Cr in FY2019, thereby registering negative 2 year CAGR of 11.20 per cent. The revenue of the logistics service provider is susceptible to economic ups and downs and hence was affected by the Covid-19 pandemic as exports and customs were affected since the inception of the pandemic. However, with economic revival the provisional revenue of the company till Sept'21 stood at around Rs.126 Cr.

Since most of the company's customers belong to the steel industry, the company has a sectoral concentration in the steel sector. Moreover, ELPL derives around 45 per cent of its revenue from Tata Group leading to major customer concentration. The company however, has long term agreement with Tata Steel which is renewed every year and is associated with the brand since 2008, therefore imparting operational comfort.

- **Moderate working capital cycle**

Historically, the working capital management of the company has remained efficient, however currently the working capital cycle is moderate marked by Gross Current Assets (GCA) of 106 days in FY2021 (prov.) as compared to 83 days in FY2020. The stretch in the GCA days is mainly on account of stretch in the debtor period which stood at 102 days as on March 31, 2021 (prov.) as compared to 79 days as on 31st March 2020. Tata Steel has extended its credit period from 30 days to 45 days globally which has partly led to the stretch in the debtor period. Acuite believes that the working capital management of the company will remain at moderate levels over the medium term owing to the delayed realisation from its top customers.

Rating Sensitivity

- Growth in their scale of operations while improving its profitability margins
- Improvement in the capital structure of the company
- Further elongation in the debtor period

Material Covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.5.41 Cr in FY2021 (prov.) as against a long term debt repayment of Rs.2.56 Cr over the same period. The current ratio improved and stood at a comfortable level of 1.40 times as on 31st March, 2021 (prov.) as compared to 1.28 times as on 31st March, 2020. The fund based limit remained utilised at about 94 percent over the six months ended September, 2021, the fund based utilization increased as there was delayed realisation from debtors in FY21, however the payments are secure as the company deals with reliable customers like Tata steel, JSW and more. The cash and bank balances of the company stood at Rs.0.37 Cr in FY2021 (prov.) as compared to Rs.0.60 Cr in FY2020. The company availed a Covid loan of Rs.6.30 Cr. Acuite believes that going forward the liquidity position of the company will improve due to steady cash accruals.

Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of its experienced management, continuous order flow and steady efforts to expand its customer base. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while improving its operating margins or significant improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the scale of company's operations or stretch in the working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	214.68	257.32
PAT	Rs. Cr.	2.51	3.46
PAT Margin	(%)	1.17	1.34
Total Debt/Tangible Net Worth	Times	1.76	1.57
PBDIT/Interest	Times	2.47	3.55

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

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>

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

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.50	ACUITE BBB-/Stable (Assigned)
State Bank of India	Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Assigned)

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