

Press Release

Exim Logistics Private Limited

February 06, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.50	ACUITE BB+ Stable Downgraded	-
Bank Loan Ratings	6.00	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	28.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **triple B minus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**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**'.

Rationale for the rating

The rating downgrade is driven by a continuous deterioration in the financial risk profile of the company marked by increase in their gearing levels and debt protection metrics. The business risk profile of the company has also witnessed a moderation with dip in their profitability levels in the past 3 years till FY'2022. However, the rating continues to derive comfort from the long standing experience of the promoters and moderate working capital management.

About the Company

Incorporated in 2006, ELPL is a Bhubaneswar, Odisha based company promoted by Mr. Himadri Pattnayak. 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

Long experience of the promoters and established relationships with reputed customers

The promoter directors of ELPL, Mr. Himadri Keshari Pattanaik & Mrs. Jharana Guru have about 20 years and 15 years of experience respectively in the logistics sector. Further, ELPL was established in 2006 and prior to this, Mr. Pattanaik had 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., HINDALCO Industries Limited, Steel Authority of India Limited throughout their journey. Over the period, ELPL has developed a PAN India clientele from which it receives regular orders. The clients like Tata Steel Ltd., Aarti Steels Ltd. etc. have been associated with the company since 2008. Moreover, most of its clients are leading companies in the respective sectors with strong credit profiles, resulting in low counterparty risk. Acuité believes that the long track record and management expertise will continue to bolster the business, going forward.

Increasing turnover trend

The revenue of the company stood healthy at Rs.252.42 crore in FY2022 as compared to Rs.214.63 crore in the previous year. This improvement in revenue is on account of increase in road transportation during the period. Currently the company has booked Rs.246.00 crore till 31st December, 2022 (Prov). Going forward, Acuité believes that the revenue of the company will increase at a steady pace backed by comfortable orderbook of Rs.360.87 crore as on December 2022.

Weaknesses

Deterioration in overall business risk profile

The operating profitability of the company has declined to Rs.7.82 crore in FY2022 as compared to Rs.8.47 crore in FY2021 and Rs. 10.25 crore in FY2020. This decrease in operating profitability in FY2022 is on account of sudden price hike of fuel during June -Sep 2021 has led to increase the overall operating expenses. The company had few short-term contracts without escalation clause during FY2022. The sudden jump in the fuel price had affected the overall cost structure of the company. Currently the company has only entered long-term contract with reputed clients and suitably guarded with the price escalation clause, which may help the company to maintain its operating profitability at a stable level. The profits had reduced in FY2021 on account of the pandemic outbreak. The profit levels of the company are expected to witness improvement from the current fiscal due to the nature of the contracts secured. The dip in the profitability levels of the company have translated into lower return of capital employed (RoCE) of the company in the past 3 years till 2022. The ROCE of the company stood low at 6.60 per cent in FY2022 as compared to 10.08 per cent in FY2021, which further declined from 13.53 per cent in FY2020.

The net profitability margin of the company has declined to 0.14 per cent in FY2022 as compared to 0.60 per cent in FY2021. The net profit of the company stood low at Rs.0.35 crore in FY2022 as compared to Rs.1.29 crore in the previous year. Further, the net profitability margin of the company has improved to 0.83 per cent during 7MFY2023 (Prov).

Moderate financial risk profile

The financial risk profile of the company is marked by modest net worth, high gearing and moderate debt protection metrics. The net worth of the company stood modest at Rs.23.78 crore in FY2022 as compared to Rs.23.42 crore in FY2021. This slight improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood high at 1.96 times as on March 31, 2022 when compared to 1.81 times as on March 31, 2021. However, this increase in gearing is on account of increase in long term debt during FY2022. The gearing

of the company has further increased to 1.97 times in 7MFY23. Interest coverage ratio (ICR) is comfortable and stood at 2.12 times in FY2022 as against 2.13 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood moderate at 1.02 times in FY2022 as compared to 1.26 times in the previous year. The total debt to EBIDTA stood very high at 5.51 times in FY2022. The total debt to EBIDTA of the company has further deteriorated to 7.35 times during 7MFY23 (Prov). The net cash accruals to total debt (NCA/TD) stood moderate at 0.09 times in FY2022 as compared to 0.10 times in the previous year. Going forward, Acuite believes the profitability margin of the company will be sustained at the same level over the medium term.

Rating Sensitivities

- 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 has adequate liquidity position marked by moderate net cash accruals of Rs.4.34 crore as against Rs.4.18crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 7.83 crore to Rs. 9.75 crore during 2023-24 as against Rs.4.75 crore of long term debt obligations in FY2023 and Rs.4.98crore in FY2024 respectively. The comfortable working capital intensity of the company is marked by gross current asset (GCA) days 87 days in FY2022. The bank limit of the company has been 83 percent utilized during the last six months ended in December 2022 and the current ratio of the company stood comfortable at 1.36 times in FY2022. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against the long debt repayments over the medium term.

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 or further deterioration in capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	252.42	214.63
PAT	Rs. Cr.	0.35	1.29
PAT Margin	(%)	0.14	0.60
Total Debt/Tangible Net Worth	Times	1.96	1.81
PBDIT/Interest	Times	2.12	2.13

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
10 Nov 2021	Standby Line of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	22.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+ Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.50	ACUITE BB+ Stable Downgraded
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Downgraded

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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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