



Press Release

Maheshwari Logistics Limited

Aug 23, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|------------------------------|---|--|--|-------------------------|-----------------------------|
| Long Term bank Facilities | 210.20 (enhanced from Rs 189.20 Crore) | IVR A-/ Stable (IVR Single A Minus with Stable Outlook) | IVR A-/ Stable (IVR Single A Minus with Stable Outlook) | Reaffirmed/ Assigned | <u>Simple</u> |
| Short Term bank Facilities | 82.00 (enhanced from Rs 72.00 Crore) | IVR A2+ (IVR A Two Plus) | IVR A2+ (IVR A Two Plus) | Reaffirmed/ Assigned | <u>Simple</u> |
| Total | 292.20 | Rupees Two Hundred Ninety-Two Crores and Twenty Lakh Only | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings (IVR) has reaffirmed the long-term rating at IVR A- with a Stable Outlook and short-term rating at IVR A2+ for the bank loan facilities of Maheshwari Logistics Limited (MLL). Further IVR has assigned the rating of IVR A- with Stable Outlook for long term and IVR A2+ for short term to enhanced limits of MLL.

The rating reaffirmation takes into consideration continuation of satisfactory financial risk profile, extensive experience of the promoters in the industry, diversification in business portfolio mitigating risk to an extent, and diversified customer supplier portfolio. However, these rating strengths are partially offset by exposure to fluctuation in price of materials in paper and coal trading segment, thin profitability, besides Intense competition & highly regulated coal trading industry

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the MLLs business & financials risk profile will be maintained over the medium term. The company has a diverse portfolio, benefitting the company to maintain stable topline despite impact in one of the business segments. In addition to that, the company started Mahindra



Press Release

and Mahindra commercial vehicle dealership from December 2023 and FY25 will be first full year of operations from this segment and additional revenue from this new segment will also start generating.

IVR has principally relied on the standalone audited financial results of MLL up to 31 March 2024 (refers to 1 April 2023 to 31 March 2024), Q1FY25 (refers to 1 April 2024 to 30 June 2024) & projected financials from FY25 to FY27 (refers to 1 April 2024 to 31 March 2027), and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of operations with improvement in profitability metrics
- Improvement in the debt protection metrics with ISCR & DSCR remaining above 3x & 2x respectively on sustained basis.

Downward Factors

- Significant reduction in the scale of operations & profitability impacting the debt coverage indicators.
- Deterioration in the capital structure with overall gearing remaining above 1.5x and interest coverage below 2x on sustained basis, besides elongation in the operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the industry

The company has a long track record of business and the promoters of MLL have long standing business experience in the field of paper, logistics and coal transportation. Business experience of the promoters supports the business risk profile of the company to an extent.

Diversification in business portfolio

The company has diversified business portfolio and derives revenue from four segments with presence in trading (mainly coal (lignite), pet coke, wastepaper), logistics (mainly coal



Press Release

transportation from various ports in Gujarat and transportation for various industries (such as chemical, cement and paper) and manufacturing of Kraft paper and now added the new segment i.e. Mahindra and Mahindra dealership for light, medium and heavy commercial vehicles. During FY24, the company registered sales of Rs. 1028.99 crore, which was mainly contributed by ~30% (PY: ~39% in FY23) from kraft paper manufacturing and wastepaper trading, ~50% from coal trading (PY: ~45% in FY23), ~5% from Pet coke sales (PY: ~5 in FY23), ~13% from logistics division (PY: ~11% in FY23), ~2% from commercial vehicle sales in FY24 (NIL in FY23). The diversification in the business helps the company to distribute the risk amongst different segments in times of distress and thereby maintaining scale of operations, besides profitability. Revenue from paper segment has declined in FY24, however the same is offset to an extent by revenue from other segments.

Satisfactory financial risk profile

MLL's scale of operation remained buoyant with a total operating income of Rs 1028.99 crore in FY24 though declined from Rs. 1144.36 crore in FY23 on account of decline in revenue from the paper segment mainly. The capital structure of the company remains at moderate level at 1.35x in FY24 (PY: 1.26x) whereas long-term debt-equity ratio is at 0.72x in FY24 owing to good net worth of Rs. 176.84 crore against outstanding debt as on March 31, 2024. Further, the total indebtedness of the company as reflected by TOL/TNW remained satisfactory at 1.99x as on March 31, 2023 (PY: 1.89x in FY23). Operating cycle of the company is comfortable at 64 days in FY24 (PY: 50 days in FY23) marked by comfortable debtor collection period & inventory period of 50 days & 45 days respectively in FY24. Current ratio of the company stood comfortably at 1.37x in FY24 (PY: 1.47x in FY23). The company has adequate interest service coverage ratio (ISCR) of the company at 1.87x in FY24 (PY: 2.25x in FY23), however debt service coverage ratio (DSCR) is below unity at 0.98x in FY24. The cash flow from operations remains positive at Rs 21.35 crore in FY24 (PY: Rs 38.42 crore)

Diversified customer supplier portfolio

The company has diversified profile of the customers & suppliers, top 5 customers & suppliers constitute ~22% & 6% respectively in FY24, which offset the risk of concentration risk.



Press Release

Key Rating Weaknesses

Exposure to fluctuation in price of materials in paper and coal trading segment

The company does not have long-term supply agreement for supply of waste papers and is dependent on spot prices. In addition to that, revenue of the company is mainly from coal & coke trading (~55% in FY24), where prices of the coal are volatile. Besides that, the company hire trucks from various parties to support its logistics operations. Hence, any adverse revision in the cost of raw material/traded goods or unfavourable hire charges may affect the margins of the company amidst stiff competition in the market.

Thin profitability

The profit margins of the company have remained low though EBITDA margins improved from 4.42% in FY23 to 5.10% in FY24 & PAT margins has improved from 1.19% in FY23 to 1.26% in FY24. Profit margins remained low due to higher revenue contribution (~55% in FY24) from its trading segment (coal & coke), which is relatively a low margin business due to its lower value additive nature and highly competitive operating spectrum due to low product differentiation and presence of many participants. Further, the profitability of the company was restricted in its logistics segment due to high competition in the sector from various organised and unorganised players. Consequently, the average EBITDA & PAT margin of the company for last 3 FYs (fiscal year) remained thin at 4.84% and 1.37% respectively during FY22-FY24.

Intense competition & highly regulated coal trading industry

The coal trading, kraft paper & logistics industry are highly fragmented with presence of many organised and unorganised players. Low entry barrier and intense competition in the industry, limits the pricing flexibility of the company. Further, coal-trading segment is highly regulated under government guidelines/policies, thus any unfavourable change in government regulation/policies may impact the business risk profile of the company. Limited value addition in trading activities restricts the pricing flexibility and in turn exerts pressure on the company's margins.

Analytical Approach: Standalone



Press Release

Applicable Criteria:

- [Rating Methodology for Manufacturing Companies.](#)
- [Rating Methodology for Trading Companies](#)
- [Rating Methodology for Service Sector Companies](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
- [Criteria for assigning Rating outlook.](#)
- [Policy on Default Recognition](#)
- [Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company is expected to generate cash accruals of more than Rs. 40 crore against repayment obligation of Rs. 35.50 crore for FY25. The average working capital utilization of the company is ~85% for last 12 months (till June 2024), which provides some cushion to the company to use unused working capital limits in case of requirement while scaling up its operations. The company also has an adequate current ratio of 1.37 in FY24 & expected to remain comfortable in next FYs. The free cash & cash equivalent was Rs. 17.29 crore as on March 31, 2024. Liquidity is expected to remain adequate.

About the Company

Maheshwari Logistics Limited (MLL) was incorporated in 2006 as private limited company by Mr. Vinay Maheshwari, Mr. Amit Maheshwari, Mr. Vipul Vashi and Mr. Varun Kabra in Gujarat. The company was initially engaged in providing logistics service and trading of coal and waste papers. During 2015-16, the company ventured into manufacturing of Kraft papers by entering into a business transfer agreement with Daman Ganga Recycled Resources LLP. In December 2016, the company changed its constitution and became a public limited company. Presently, MLL is operating in four business segments, logistics, trading, manufacturing of Kraft paper and M&M dealership, which is newly added business segment in Dec,2023.

Financials (Standalone):

| | (Rs. crore) | |
|----------------------------|-------------|------------|
| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |



Press Release

| | | |
|---------------------------|---------|---------|
| Total Operating Income | 1144.36 | 1028.99 |
| EBITDA | 50.60 | 52.48 |
| PAT | 13.67 | 13.03 |
| Total Debt | 205.32 | 238.98 |
| Tangible Net Worth | 163.39 | 176.84 |
| EBITDA Margin (%) | 4.42 | 5.10 |
| PAT Margin (%) | 1.19 | 1.26 |
| Overall Gearing Ratio (x) | 1.26 | 1.35 |
| Interest Coverage (x) | 2.25 | 1.87 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

| Sr. No. | Name of Security /Facilities | Current Ratings (2024-25) | | | Rating History for the past 3 years | | |
|---------|------------------------------|------------------------------|--------------------------------|----------------|---|---|---|
| | | Type (Long Term/ Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| 1. | Long Term bank Facilities | Long Term | 210.20 | IVR A-/ Stable | IVR A-/ Stable (24 July,2023) | - | IVR BBB; ISSUER NOT COOPERATING* (16 June,2021) ----- IVR BBB+/ Stable; Withdrawn (02 Aug,2021) |
| 2. | Short Term bank Facilities | Short Term | 82.00 | IVR A2+ | IVR A2+ (24 July,2023) | - | IVR A3+; ISSUER NOT COOPERATING* (16 June,2021) ----- IVR A2; Withdrawn (02 Aug,2021) |

*Issuer did not cooperate; Based on best available information

Not accepted ratings IVR BBB+ (Stable) / IVR A2 on rated amount INR 265.71 Crs dated 09.06.2023



Press Release

Analytical Contacts:

| | |
|--|--|
| Name: Raman Thakur Tel: (011) 45579024 Email: raman.thakur@infomerics.com | Name: Vipin Jindal Tel: (011) 45579024 Email: vipin.jindal@infomerics.com |
|--|--|

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength



Press Release

of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|------|---------------------|---------------------|---|------------------------------------|--------------------------------|
| Fund-Based Bank Facilities - GECL | - | - | - | July,2027 Oct,2025 Oct,2026 Feb,2026 | 9.91 4.72 8.85 1.10 | IVR A- /Stable |
| Fund-Based Bank Facilities – Term Loan | - | - | - | June,2029 Mar,2028 April,2028 | 18.05 41.81 7.92 | IVR A- /Stable |
| Fund-Based Bank Facilities - WCTL | - | - | - | Jan,2027 | 10.00 | IVR A- /Stable |
| Fund-Based Bank Facilities - Proposed | - | - | - | - | 0.34 | IVR A- /Stable |
| Fund-Based Bank Facilities – CC/Inventory Funding/WCDL/SLC | - | - | - | - | 107.50 | IVR A- /Stable |
| Fund-Based Bank Facilities – Bills Discounting | - | - | - | - | 10.00 | IVR A2+ |
| Non-Fund-Based Bank Facilities – LC | - | - | - | - | 68.00 | IVR A2+ |



Press Release

| | | | | | | |
|--|---|---|---|---|------|---------|
| Non-Fund-Based Bank Facilities – CEL | - | - | - | - | 4.00 | IVR A2+ |
|--|---|---|---|---|------|---------|

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-maheshwari-logistics-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.