R K Laxmi Logistic Private Limited

January 09, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	61.00 (includes proposed facility of Rs 17.29 crore)	IVR BB/ Stable (IVR double B with Stable Outlook)	Assigned	Simple
Total	**61.00 (Rs. Sixty-one crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of R K Laxmi Logistic Private Limited (RKLLPL) derives strength from experienced and resourceful promoters, established relationship with reputed clientele base in cement and fertilizer space, consistent improvement in topline along with healthy operating margins and conservative capital structure with adequate coverage indicators. However, these rating strengths are partially offset by relatively small scale of operations, susceptibility of profitability to volatility in prices of diesel, customer and geographical concentration risk and exposure to fragmentation and intensive competition within the industry.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Improvement in the capital structure with improvement in debt protection metrics.

Downward factors

- Moderation in scale of operation and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing.

- Increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters**

The promoters, Mr. Laxmi Kant Rai, Mr. Rama Kant Rai, and Mr. Shiv Ram have long standing experience of around two decades in the logistic sector. The extensive experience of the promoter underpins the business risk profile of the company and supports it to develop established relationship with its customers. The directors are well supported by an experienced team of professionals.

- **Reputed Clientele Base**

RKLLPL caters to major cement and fertilizer manufacturing companies such as ACC, Ambuja cement, Dalmia cement, RCCPL Ltd and Hindustan Urvarak and Rasayan Ltd for loading and unloading of cement and fertilizers. The company continues to get repeated orders from the companies.

- **Improved scale of operation with healthy profit margins**

The total operating income of the company has witnessed a CAGR of ~38% from FY20-FY23, with a year-on-year growth of ~46% in FY23 to Rs.43.98 crore which was driven by the expansion of operations by adding 35-40 trucks to its existing fleet coupled with increasing transport orders from cement companies. Furthermore, the EBIDTA on an absolute basis has witnessed a consistent improvement from Rs. 8.74 crore in FY21 to Rs. 10.22 crore in FY22 and further Rs. 15.57 crore in FY23. However, PAT on an absolute basis declined from Rs. 0.33 crore in FY22 to Rs. 0.17 crore in FY23 mainly driven by increase in depreciation and interest expenses. However, the company has generated healthy cash accruals of Rs. 10.69 crore in FY23 (PY Rs. 6.76 crore). The EBIDTA margin of the company remained comfortable at 35.41% in FY23 (PY 33.83%). However, the PAT margin remained thin at ~0.38% in FY23 due high depreciation and interest cost. In 8MFY24, the company earned a revenue of Rs 32.27 crore and EBITDA of Rs 12.12 crore (EBITDA margin of 37.58%). The sales momentum is expected to sustain going forward.

- **Conservative capital structure with adequate coverage indicators**

The capital structure of the firm had remained moderate. The debt profile of the company primarily consists of vehicle term loan and fund based working capital facility. Total debt of the company has increased from Rs. 48.41 crore as on March 31, 2022, to Rs. 56.39 crore as on March 31, 2023 on account of availment of additional vehicles loans. The company's tangible net worth has witnessed steady growth mainly on the back of equity infusion by the promoters of Rs 18.14 crore, resulting in increase in tangible networth to Rs.23.45 crore as on March 31, 2023 in comparison to Rs. 5.21 crore on March 31, 2022. Rest of the increase is attributed to increase in reserves due to profits earned. Consequently, the overall gearing has improved significantly from 9.28 times as on March 31, 2022, to 2.40 times as on March 31, 2023. Further, the overall indebtedness of the company marked by TOL/TNW has improved from 10.65 times as on March 31, 2022, to 2.59 times as on March 31, 2023. The interest coverage ratio of the company stood comfortable at 3.14 times in FY23 (PY 3.04 times) and DSCR stood comfortable at 1.59 times in FY23 (PY:2.06 times)

Key Rating Weaknesses

- **Relative small scale of operations**

The current scale of operations remained small at Rs 43.98 crore notwithstanding an improvement of ~46% from FY22 levels and CAGR growth of ~38% witnessed over the past few years (FY20-23). Infomerics notes that a sustained increase in scale of operations will be a key rating factor going forward.

- **Susceptibility of its profitability to adverse fluctuations in prices of fuels**

Diesel constituted to around ~64% of the company's total operational cost in FY23. The prices of diesel is determined by global crude oil price movement, hence the profitability of the company remains exposed to fluctuations in the prices of fuels.

- **Highly fragmented & competitive nature of business**

The road logistics segment is a highly fragmented and competitive sector, with presence of several unorganized and established companies in the segment, which may constrain the company's revenues and margins. However, entry barriers in the express logistics are significantly high, which limits the threat of any new entrants. Given the lack of product differentiation, maintaining its superior service standard and providing innovative solutions to the evolving customer requirements will be keys for RKLLPL to expand its market position.

- **Exposure to geographical and client concentration risk**

The company revenue is entirely concentrated in the state of Uttar Pradesh. Hence, it is exposed to the geographical concentration risk. In addition, top 4 customer of RKLLPL contributed around ~98% of total sales in FY23 exposing it to high customer concentration risk. Going forward, in order to mitigate the geographical concentration risk the company is expanding its operations in Nepal as well.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria for assigning Rating outlook

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. However, the average fund-based utilisation for the past twelve months ended November 2023 remained high at ~90-95%.

About the company

R K Laxmi Logistic Private Limited (RKLLPL) was initially started as a partnership firm in the year 2013 and got converted into a private limited company in January 27, 2022 and is promoted by the Rai family based in Uttar Pradesh. The company is engaged in road transport business in the state of Uttar Pradesh and has owned fleet size of 180 trucks. It caters to companies in cement and fertilizer space for transport of goods within Uttar Pradesh. The company's day-to-day operations are looked after by Mr. Laxmi Kant Rai, Mr. Rama Kant Rai and Mr. Shiv Ram along with a team of experienced professionals.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	30.20	43.98
EBITDA	10.22	15.57
PAT	0.33	0.17
Total Debt	48.41	56.39
Tangible Net worth	5.21	23.45
EBITDA Margin (%)	33.83	35.41
PAT Margin (%)	1.10	0.38
Overall Gearing Ratio (x)	9.28	2.40

**As per Infomerics' Standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	46.00*	IVR BB/ Stable	-	-	-
2.	Cash Credit	Long Term	15.00	IVR BB/ Stable	-	-	-

**Includes proposed term loan of Rs 17.29 crore.*

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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	July 2027	3.87	IVR BB/ Stable
Term Loan 2	-	-	June 2028	17.70	IVR BB/ Stable
Proposed Term Loan	-	-	-	17.29	IVR BB/ Stable
GECL 1	-	-	July 2027	0.51	IVR BB/ Stable
GECL 2	-	-	June 2028	3.54	IVR BB/ Stable
Vehicle Loan 1	-	-	June-2028	0.65	IVR BB/ Stable
Vehicle Loan 2	-	-	February-27	1.54	IVR BB/ Stable
Vehicle Loan 3	-	-	May-27	0.90	IVR BB/ Stable
Cash Credit	-	-	-	15.00	IVR BB/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-RKLaxmi-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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