



Press Release

Exim Logistics Private Limited

September 30, 2020

Ratings

Facility*	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund based facilities - Cash Credit	24.50	IVR BB+ /Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Non Fund based facilities - Bank Guarantee	3.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	27.50		

*Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Exim Logistics Pvt Ltd (ELPL) takes into account its long track record of operations under an experienced promoter, established long term relationship with reputed customers and its asset light model of operations. The ratings also consider its stable financial performance with strong order book position indicating healthy revenue visibility in the near to medium term and its moderate capital structure with satisfactory debt protection metrics. However, these rating strengths are partially offset by concentration in its revenue, high competitive intensity in logistics business and susceptibility of revenues to economic slowdown and variations in trade volumes

Key Rating Sensitivities

Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals and liquidity on a sustained basis
- Improvement in the capital structure and debt protection metrics

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or liquidity on a sustained basis
- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in the debt protection metrics



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under an experienced promoter

The promoters of ELPL Mr. Himadri Keshari Pattanaik & Mrs. Jharana Guru having about 18 years and 14 years of experience respectively in the logistics sector. Further, being established in 2006, the company is also having a more than decade long track record.

Established long term relationship with reputed customers

Over the period, ELPL has developed a strong client base from which it has been receiving regular orders, most of which is long-term in nature (ranging from 3-5 years). The clientele like Tata Steels, Aarati Steels Ltd etc. have been working with the company from 2008 onwards. Moreover, most of its clients are leading companies in the respective sectors with strong credit profiles, resulting in low counterparty risk.

Asset light model of operations

The Company has an asset light business model with ~85% of its fleet hired from a network of truck vendors/operators. This model helps the company to reduce its fixed costs and gives the company the flexibility to scale up or scale down its operations, in line with the economic cycles. Driven by its asset light model the fixed asset turnover ratio of the company remained satisfactory.

Stable financial performance with strong order book position indicating healthy revenue visibility in the near to medium term

The financial performance of the company remained stable over the past three fiscals with an operating income ranging between ~Rs.178-272 crore during FY17-FY20 (Prov.). There was a steady growth in its scale of operations during FY17-FY19 driven by addition of new clients coupled with increase in goods movement. However, the company has witnessed marginal moderation in its topline in FY20 due to drop in freight services. The EBITDA margin of the company remained moderate in the vicinity of ~5% over the past two fiscals and witnessed a marginal moderation in FY20 driven by decline in topline. However, the PAT margin of the company though remained moderate improved from 1.63% in FY18 to 2.19% in FY20 (Prov.). The company is having an unexecuted order book of ~Rs.380 crore to be executed in next 2-



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3 years which indicates strong revenue visibility for the company. Infomerics expects that the financial performance will improve going forward driven by expected increase in mining activities in Odisha region due to recent mine auctions. Moreover, TATA Steel Ltd, the main customer of the company got new mines in Sukinda region which are expected to start operating from December, 2020. Consequently, ELPL is also expecting to secure further contracts with TATA Steel which indicates revenue visibility in the near term.

Moderate capital structure with satisfactory debt protection metrics

The capital structure of the company remained satisfactory as on the past three account closing dates with gradual improvement driven by scheduled repayment of debts and accretion of profit to net worth. The debt equity ratio and the overall gearing ratio improved from 0.66x and 1.90x as on March 31, 2018 respectively to 0.22x and 1.41x respectively as on March 31, 2020 (Prov.). Further, Total indebtedness of the company as reflected by TOL/TNW stood comfortable at 2.37x as on March 31, 2020. The debt protection metrics as indicated by interest coverage ratio and Total debt/GCA stood comfortable at 4.57x and 2.37 years respectively in FY20 (Prov.).

Key Rating Weaknesses

Concentration risk

Since most of its customers belong to the steel industry, the company has dependency on the steel industry. Moreover, ELPL derived around ~50% its revenue from Tata Steel.

High competitive intensity in logistics business

The road logistics segment has always been characterised by high competitive intensity, with the presence of a several unorganized and established companies in the segment, which may constrain the company's revenues and margins in the long term; however, entry barriers in the express logistics are significantly high, which limits threat of any new entrants. Maintaining its superior service standards and providing innovative solutions to the evolving customer requirements will be keys for ELPL to expand its market position.

Susceptibility of revenues to economic slowdown and variations in trade volumes



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The performance of the road logistics segment in Odisha is largely linked to the performance of the mining sector in the state which impacts the trade volumes, especially given the stiff competition amid the highly fragmented industry structure. Any slowdown in domestic mining/ industrial activities, due to weak economic conditions or restrictive trade policies, can have a negative impact on the company's revenues and its cash flows. However, its asset light model of operations mitigates the risk to some extent.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term marked by its expected sufficient accruals vis-à-vis its debt repayment obligations. The company has earned a gross cash accrual of Rs.8.51 crore as against its debt repayment obligation of Rs.3.36 crore in FY20 (Prov.). Further, the company is expected to earn gross cash accruals in the range of ~Rs.9.5-Rs.12 crore as against its debt repayment obligations of ~Rs.0.50-2.25 crore during FY21-22. Further, the company does not have any major capex plan in the projected tenure which imparts comfort. The average CC utilization for past 12 months ending in June 2020 remained moderate at ~86% and thus there is adequate cushion in the working capital limits.

About the Company

Exim Logistics Pvt Ltd (ELPL), is Odisha based, an ISO9001:2015, ISO14001, OHSAS18001 certified company, was established in 2006 by Mr. Himadri Pattnayak. The company is headquartered at Bhubaneswar, Orissa, India & having PAN India presence & strong network abroad. The company is engaged in Air & Sea Freight Services, Road & Railways Transportation Services, Customs Clearance Services, Port Handling Services, Warehousing Services, etc. The company has a global network of 300 plus associates in 160+ countries. The company has 4 regional offices with 15 each SEZ/ICD & sea port presence along with 6 international airport presence. The company has 38 controlling branches in 13 states in India.



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Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	272.26	257.46
EBITDA	14.39	13.25
PAT	4.80	5.65
Tangible Net worth	18.9	24.5
EBITDA Margin (%)	5.28	5.15
PAT Margin (%)	1.76	2.19
Overall Gearing Ratio (x)	1.71	1.42

*As per Infomerics Standards

Status of non-cooperation with previous CRA: India ratings moved the rating into issuer non cooperating category vide its press release dated February 13,2020.

Any other information: Infomerics have received the bank statements from its bankers for past 6 months and as per the statements there are no delays or defaults.

Rating History for last three years:

Sr. No.	Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	24.50	IVR BB+/stable Outlook (IVR Double B plus with Stable Outlook)	-	-	-
2.	Bank Guarantee	Short Term	3.00	IVR A4+ (IVR A Four plus)	-	-	-
Total			27.50				

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually



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gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	24.50	IVR BB+; Stable (IVR Double B plus with Stable Outlook)
Long Term Bank Facilities – Bank Guarantee	-	-	-	3.00	IVR A4+ (IVR A Four plus)
Total				27.50	