Shree Vasu Logistics Limited

March 17, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	2.86	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities	24.94 (Enhanced from 19.31)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	4.00	CARE A3 (A Three)	Revised from CARE A4+ (A Four Plus)
Total Bank Facilities	**31.80 (Rs. Thirty-One Crore and Eighty Lakhs Only)**		

Details of facilities in Annexure -1

Detailed description of the key rating drivers

The revision in the ratings assigned to the bank facilities of Shree Vasu Logistics Limited (SVLL) take into account growth in scale of operations on the back of increase in share of warehousing business with addition of marquee clients during FY20 (Audited; FY refers to period from April 01 to March 31) and H1FY21 rendering strong revenue visibility in the medium term. The ratings revision also factor comfortable leverage due to relatively lower debt level vis-à-vis gross block as on March 31, 2021. The ratings continue to consider experience of the management in logistic industry, established and reputed customer base, diversified revenue stream and adequate liquidity indicators.

The ratings, however, continue to remain tempered by relatively lower networth base of the company restricting financial flexibility, highly competitive nature of transportation and logistics business as well as implementation and stabilization risk related to SVLL's debt funded project.

Key Rating Sensitivities

Positive Factors

- Growth in its scale of operations by more than 25% on sustained basis while sustaining below unity overall gearing.
- Improvement in total debt / PBILDT to 2.25x on sustained basis

Negative Factors

- Decline in scale of operations by more than 30% impacting the debt coverage indicators
- Higher than envisaged increase in debt level leading to deterioration in capital structure with overall gearing above 1.50 times
- Elongation of its operating cycle to more than 90 days leading to high reliance on working capital borrowings and stretched liquidity position of SVLL.

Key Rating Strengths

Improved scale of operations

SVLL's total operating income (TOI) exhibited steady growth during the last three financials years (FY18-FY20) marked by healthy Compounded Annual Growth Rate (CAGR) in SVLL's TOI of 40.95% during same period. During FY20, TOI of SVLL further grew significantly by 73.37% y-o-y and remained at Rs.62.37 crore [Rs.35.92 crore during FY19] owing to significant increase in share of warehousing services in TOI. Share of revenue from warehousing segment had increased from 27.58% during FY19 to 41.96% during FY20 on account of entering into medium term agreement with marquee customers for lease of warehouses. Further, during H1FY21(UA) SVLL has sustained its scale of operation and reported TOI of Rs.31.82 crore on account of steady revenue from warehousing segment reducing reliance on transportation segment in Covis-19 pandemic.

Commensurate with an increase in scale of operations, profitability as marked by profit before interest, lease, depreciation and tax (PBILDT) and profit after tax (PAT) increased by 34.04% and 59.23% respectively y-o-y and remained at Rs.7.42 crore and Rs.2.67 crore respectively during FY20 [Rs.5.53 crore and Rs.1.68 crore respectively during FY19]. Although PBILDT margins of SVLL moderated by 351 bps year-over-year (y-o-y) basis on account of increase in employees expense and other direct expenses during FY20, it continued to remain comfortable at 11.89% during FY20. Furthermore, cash profit increased by 33.92% y-o-y and remained sufficient at Rs.4.89 crore during FY20 as against its repayment obligations.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

During H1FY21 (Unaudited), TOI of SVLL remained at Rs.31.82 crore [Rs.32.65 crore during H1FY20 (Unaudited)]. with PBILDT margin of 14.77% during H1FY21 [15.19% during H1FY20].

Experienced management as well as established and reputed customer base with diversified revenue stream

Mr. Bhushan Garg, founder promoter, is Chairman of the company and has more than three decades of experience in same industry. He is assisted by his son, Mr. Atul Garg, Managing Director, who has experience of more than a decade in same line of business. Mrs. Preeti Garg has joined SVVLL in 2017 and has vast experience in developing financial strategy. Further, the directors are assisted by second tier management who has vast experience in their respective fields. Being present in the industry since long, the company has established good relations with various large corporates and the same is reflected from the repeated orders from them. The company caters its services to various sectors such as agriculture, petroleum, food and food products, FMCG, medicine, cosmetics, paints and adhesives and wires and cables and hence, total revenue of SVLL is not concentrated on any one sector.

Comfortable leverage

Proportion of term loan to gross block had steadily improved from 44% as on March 31, 2018 to 23% as on March 31, 2020 on account of infusion of equity of Rs.9.29 crore and extension of unsecured loans of Rs.4.88 crore by promoters to fund capex. This had resulted in improvement in the overall gearing from 2.38 times as on March 31, 2018 to 1.00 times as on March 31, 2020.

Debt coverage indicators of the company is expected to remain comfortable on account of relatively lower term debt and good revenue visibility. Interest coverage of SVLL improved on account of improved operating profit during FY20 and continued to remain comfortable at 4.62 times during FY20 as against 3.97 times during FY19. Moreover, debt coverage indicators of SVLL continued to remain comfortable marked by total debt to GCA of 3.11 times as on September 30, 2020 and interest coverage of 5.60 times during H1FY21.

Advance stage of completion of SVLL's existing debt funded expansion project

SVLL has completed significant proportion of its debt funded expansion project to increase its storage capacity in the tune to 70,000 sq. feet by creating a new storage facility at Tenduva, Chhattisgarh with total project cost of Rs.6.67 crore. The project is expected to be completed during March, 2021 as against earlier envisaged for September, 2020 owing to halt and subsequent sluggish progress in construction activities during H1FY21 due to COVID-19 induced lockdown and resultant labour shortage. SVLL has already incurred approx. 90% of total envisaged project cost till January 18, 2021 and minor finishing work as well as fixation of pavers blocks are pending.

Key Rating Weaknesses

Relatively small size of operations

Size of operations of SVLL is small as compared to other large logistic companies marked by TOI of Rs.62.37 crore during FY20 and networth base of Rs.21.59 crore as on March 31, 2020. Relatively small networth base restricts overall financial flexibility of SVLL.

Debt funded expansion project implementation

SVLL is increasing its scale of operation by addition of new warehouses on rental basis as well as gradually constructing owned warehouses. Hence, SVLL is exposed to inherent project risk. SVLL is further expanding its storage capacity during FY21 by undertaking a project for construction of a new warehouse with storage capacity of approx. one lakh sq. feet. at Tenduva, Chhattisgarh. The envisaged project cost of the said project remained at Rs.11.56 crore which is envisaged to be funded through term loan/internal accruals ratio of 1.25 times. Financial closure of this project has been achieved as well as 22% (i.e. Rs.2.50 crore) of total envisaged cost has been incurred till January 18, 2021 which was funded through term loans of Rs.1.13 crore and remaining Rs.1.37 crore through internal accruals. The said project is expected to be completed by end of August, 2021.

Highly competitive nature of transportation and logistics business

SVLL's transport business is highly competitive in nature on account of high degree of fragmentation in industry on the back of presence of large number of small players having limited fleet size, both in organized and unorganized sectors. The warehousing market in India is highly fragmented with most warehouses having an area of less than 10,000 sq.ft. Approximately 90% of the warehousing space in the country is controlled by unorganized players with smaller sized warehouses which have limited mechanization. Fragmented warehousing footprint results in higher average inventory holding, in addition to resulting in higher storage and handling losses, driven by lower level of mechanization.

Impact of COVID-19 on business operations of SVLL

Owing to adverse impact of COVID-19, revenue from transportation segment impacted negatively during H1FY21, however, the same was covered by incremental revenue received from CFA (Carrying & Forwarding Agreements) in FMCG sector. As a result during H1FY21 (Unaudited), TOI of SVLL remained stable at Rs.31.82 crore as compared H1FY20 (Unaudited) and the same trend is expected to be continued during full FY21.

Liquidity: Adequate

Liquidity position of SVLL remained adequate as marked by sufficient GCA of Rs.4.89 crore during FY20 [Rs.3.24 crore during H1FY21 (UA)] as against gross debt repayment obligation of Rs.2.56 crore during FY21. Further, average utilization of fund

based limit remained at around 41% during the last twelve months ended November, 2020. Furthermore, operating cycle of the company improved and remained comfortable at 45 days during FY20 [63 days during FY19] owing to improvement in average collection period during FY20. Unencumbered cash and bank balance with SVLL remained at Rs.0.65 crore as on March 31, 2020 while cash flow from operating activities (CFO) remained at Rs.1.36 crore during FY20.
Furthermore, SVLL has availed Emergency Credit Line Guarantee Scheme (ECLGS) to the tune of Rs.2.86 crore having tenure of 48 months including 12 months of moratorium period which is expected to provide cushion in near term for working capital management. SVLL has also availed moratorium of three months for its bank facilities during period from March, 2020 to May, 2020 as a COVID relief measures.

Analytical approach: Standalone

Applicable Criteria
CARE's Policy on Default Recognition
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology - Service Sector Companies
Financial ratios – Non-Financial Sector
Criteria for short term instruments
Liquidity Analysis of Non-Financial Sector Entities

About the Company
Raipur (Chhattisgarh) based Shree Vasu Logistics Limited (SVLL) was incorporated in 2007 as a Private limited company by Garg family with a takeover of four proprietorship concerns (belonged to Garg family). Further during 2018, the company was converted into Public Limited Company as well as on June 04, 2018, the company got listed with National Stock Exchange of India's (NSE) SME platform. SVLL is engaged in logistic services including transportation, inventory management, material handling and packaging. The company is providing Carrying and Forwarding Agent (C&FA) services in Chhattisgarh, Orissa, and West Bengal, Assam and some parts consist of Madhya Pradesh and Maharashtra.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	35.92	62.37
PBILDT	5.53	7.42
PAT	1.68	2.67
Overall gearing (times)	0.76	1.00
Interest coverage (times)	3.97	4.62

A: Audited

Based on provisional results of H1FY21, SVLL has registered TOI of Rs.31.82 crore with PBILDT and PAT of Rs.4.70 crore and Rs.1.85 crore respectively.
Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Facilities:

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	April, 2028	16.44	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE BBB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	1.00	CARE BBB-; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	1.00	CARE A3
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A3
Fund-based - LT-Working capital Term Loan	-	-	July, 2025	2.86	CARE BBB-; Stable

Annexure-2: Rating History of last three years:

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	16.44	CARE BBB-; Stable	-	1)CARE BB+; Stable (10-Feb-20)	1)CARE BB+; Stable (19-Mar-19)	-
2.	Fund-based - LT-Cash Credit	LT	7.50	CARE BBB-; Stable	-	1)CARE BB+; Stable (10-Feb-20)	1)CARE BB+; Stable (19-Mar-19)	-
3.	Fund-based - LT-Bank Overdraft	LT	1.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (10-Feb-20)	1)CARE BB+; Stable (19-Mar-19)	-
4.	Fund-based - ST-Working Capital Demand loan	ST	1.00	CARE A3	-	1)CARE A4+ (10-Feb-20)	1)CARE A4+ (19-Mar-19)	-
5.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A3	-	1)CARE A4+ (10-Feb-20)	1)CARE A4+ (19-Mar-19)	-
6.	Fund-based - LT-Working capital Term Loan	LT	2.86	CARE BBB-; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Fund-based - LT-Working capital Term Loan	Simple
5.	Fund-based - ST-Working Capital Demand loan	Simple
6.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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