

Shree Vasu Logistics Limited

March 30, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	32.31 (Enhanced from 27.80)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	4.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	36.31 (Rs. Thirty-Six Crore and Thirty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shree Vasu Logistics Limited (SVLL) continue to drive strength from vast experience of the promoters and their established track record in logistics industry including transportation, warehousing and carrying and forwarding (C&F) segment for over three decades, established and reputed customer base with diversified revenue stream, SVLL's comfortable leverage, moderate debt coverage indicators and adequate liquidity.

The ratings also take cognizance of advance stage of completion of its two debt-funded capacity expansion projects at Tenduva, Chhattisgarh and tie-up of full capacities by reputed customers.

The rating, however, continue to remain constrained on account of SVLL's moderate scale of operations in a highly competitive transportation and logistics business.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant growth in its scale of operations along with improvement in PBILDT margin to 15% on a sustained basis.
- Maintaining overall gearing below unity along with total debt/ GCA at 2.25x on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in scale of operations by more than 30% impacting the profitability and debt coverage indicators.
- Higher than envisaged increase in debt level leading to deterioration in overall gearing above 1.50x.
- Elongation of its operating cycle to more than 75 days leading to high reliance on working capital borrowings.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management: Mr. Bhushan Garg, promoter and chairman of SVLL has more than three decades of experience in the logistics 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. The directors are assisted by other family members and professional second tier management who have a vast experience in their respective fields.

Established and diversified revenue stream with reputed clientele: Over the last few years, SVLL has expanded its asset base and has expanded its fleet as well as warehousing space by setting up its own warehouse as well as leasing. As on February 28, 2022, SVLL operated 12 warehouses (3 owned and 9 leased) with aggregate space of around 13.44 lakh sq. ft. (Isf). In the transportation segment, SVLL has a own fleet of around 60 vehicles. Income from warehousing and transportation segment accounted for around 40% (FY20:42%) and 60% (FY20:58%) respectively of SVLL's TOI for FY21.

SVLL has established long term association with various large corporates operating in agriculture, petroleum, food and food products, FMCG, medicine, cosmetics, paints & adhesives and wires & cables industry. Long-term contracts with diversified customer base ensures revenue visibility with a low counterparty risk.

Moderate financial risk profile: SVLL's profitability continued to remain stable as indicated by PBILDT and PAT margin of 12.47% in FY21 (11.88% in FY20) and 4.90% in FY21 (4.28% in FY20) respectively. Gross cash accruals (GCA) also improved to Rs.6.24 crore in FY21 (Rs.4.89 crore in FY20) and remained sufficient as against its repayment obligations. The company's capital structure remained comfortable marked by overall gearing ratio of 1.03x as on FY21 end (1.00x as on FY20) and TOL/TNW ratio of 1.30x as on FY21 end (1.35x as on FY20). The marginal deterioration in capital structure of the company was on account of increase in term loans along with infusion of unsecured loans from directors as on March 31, 2021. With improvement in PBILDT margin and GCA levels, SVLL's debt coverage indicators improved marginally as indicated by total debt to GCA of 4.11x as on FY21 (4.40x as on FY20) and interest coverage ratio of 4.90x as on FY21 (4.62x times as on FY20 end).

Advance stage of completion of debt funded expansion project: SVLL is undertaking a debt-funded expansion project to expand its existing storage capacity by 76,000 sq. ft. by creating two new storage facilities at Tenduva, Chhattisgarh with an

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

estimated total cost of Rs.11.08 crore, out of which Rs.8 crore would be funded through term loan and balance through internal accruals. SVLL has already incurred around 70% of total envisaged project cost till February 28, 2022 and remaining portion is expected to be completed by June, 2022. As articulated by the management, full capacities of the said under progress warehouses have already been tie-up with reputed customers.

Key Rating Weaknesses

Relatively small size of operations: SVLL operates on a moderate base marked by TOI of Rs.66.20 crore during FY21 and net worth base of Rs.24.85 crore as on March 31, 2021. While SVLL's total operating income (TOI) remains stable during FY21, the company reported TOI of Rs.40.61 crore during H1FY22 (provisional) as compared to Rs.31.82 crore during H1FY21 owing to renting out of additional storage space available from recently commissioned warehouses at Tenduva, Chhattisgarh. Modest scale of operations restricts SVLL bargaining power as well as necessitates extension of an elongated credit period.

Highly competitive nature of transportation and logistics business SVLL's transport business is highly competitive in nature on account of presence of large number of small players having limited fleet size, both in organized and unorganized sectors. The warehousing market too is highly fragmented with majority being owned and operated by unorganized players with a smaller size warehouses and limited mechanization. It results in lower bargaining power of small operators, higher storage and handling losses and ineffective utilisation of available resources.

Liquidity: Adequate

SVLL's liquidity position continued to remain adequate marked by improvement in GCA to Rs.6.24 crore during FY21 (Rs.4.89 crore during FY20) as against gross debt repayment obligation of Rs.2.80 crore during FY22 and Cash flow from operating activities (CFO) to Rs.4.46 crore during FY21 (Rs.1.56 crore during FY20). Further, average utilization of fund limit and non-fund-based limits remained adequate around 44% and 74% respectively during trailing twelve months ended on December 31, 2021. Also, operating cycle of the company remained comfortable at 55 days during FY21 [45 days during FY20]. Further, unencumbered cash and bank balance stood at Rs.1.29 crore as on September 30, 2021 (Rs.0.65 crore as on March 31, 2021).

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the Company

Raipur (Chhattisgarh) based SVLL was incorporated in 2007 as a Private limited company by Garg family with a takeover of four family-owned proprietorship concerns. 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, West Bengal, Assam, Madhya Pradesh and Maharashtra.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	30-09-2021 (P)
Total operating income	62.36	66.20	40.62
PBILDT	7.41	8.26	5.47
PAT	2.67	3.25	2.12
Overall gearing (times)	1.00	1.03	1.27
Interest coverage (times)	4.62	4.90	4.41

A: Audited; P.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	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	14.17	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	9.95	CARE BBB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	-	5.85	CARE BBB-; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	-	1.00	CARE A3
Non-fund-based - ST-Bank Guarantee	-	-	-	-	3.00	CARE A3
Fund-based - LT-Working capital Term Loan	-	-	-	January, 2028	2.34	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	14.17	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Mar-21)	1)CARE BB+; Stable (10-Feb-20)	1)CARE BB+; Stable (19-Mar-19)
2	Fund-based - LT-Cash Credit	LT	9.95	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Mar-21)	1)CARE BB+; Stable (10-Feb-20)	1)CARE BB+; Stable (19-Mar-19)
3	Fund-based - LT-Bank Overdraft	LT	5.85	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Mar-21)	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 A3 (17-Mar-21)	1)CARE A4+ (10-Feb-20)	1)CARE A4+ (19-Mar-19)
5	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A3	-	1)CARE A3 (17-Mar-21)	1)CARE A4+ (10-Feb-20)	1)CARE A4+ (19-Mar-19)
6	Fund-based - LT-Working capital Term Loan	LT	2.34	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Mar-21)	-	-

* Long Term/Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of 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 Guarantee	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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