

## Distribution Logistics Infrastructure Private Limited

June 03, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	745.95 (Enhanced from 694.52)	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	52.71	CARE D (Single D)	Reaffirmed
<b>Total Bank Facilities</b>	<b>798.66</b> <b>(Rs. Seven Hundred Ninety-Eight Crore and Sixty-Six Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Distribution Logistics Infrastructure Private Limited (DLI) continues to take into account ongoing delays in servicing of interest on term loan and working capital facility for the month of April (2022) (due date April 30, 2022). The ratings also factor in weak financial risk profile characterized by high overall gearing, weak debt coverage indicators along with the competition from private and established players. These rating constraints are, however, partially offset by experienced management team and parentage, presence across verticals in the logistics industry, locational advantage of its terminals and strong infrastructure base.

### Rating Sensitivities

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

- Improvement in liquidity position of the company through improved operational cash flows commensurate with debt repayment obligations.
- Improvement in the operational performance of the company.
- Improvement in capital structure with overall gearing below 1.50x times on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Delay in servicing of interest on term loan and working capital borrowings:** There are ongoing delays in servicing of interest for the term loan and working capital facilities for the month of April (2022) (due date April 30, 2022) owing to low business activity and customer collections. Earlier, in view of inadequate cash flow generation to meet the existing debt due to business disruption caused by the pandemic, the company applied for restructuring of its existing loan with a principal moratorium of up to two years starting from December 30, 2020 (cut-off date) and interest moratorium of 13 months from March, 2021 to March, 2022.

**Delay in completion of the ongoing capex projects resulting in continued losses:** DLI had undertaken some heavy capex project (logistic parks) in past which got delayed due to land approvals and shortage of funds thus resulting in liquidity issues in the company. For the last 3 fiscals ending FY22 (refers to the period from April 01, 2019 to March 31, 2022), the total operating income of the company grew at a CAGR (Compounded annual growth rate) of 5.34% to Rs.286.03 crore in FY22 (PY: Rs.257.80 crore). Further, the PBILDT margin of the company improved to 7.46% in FY22 (PY: 4.07%) on account of cost rationalization measures adopted by the company. However, despite improvement in the PBILDT margin, the company continued to report net loss in FY22 of Rs.93.33 crore (PY: loss of Rs.86.80 crore) on account of high interest obligation as a result of high debt undertaken by the company to fund the heavy capex.

**Competition from private and established players:** The company faces competition from established ICD operators in North India like CONCOR's ICDs at Tughlakabad and Dadri, Gateway Distriparks ICD at Garhi Harsaru- Haryana, Adani Logistics Ltd ICD at Patli, Gurgaon, WWIL (Worlds Window Infrastructure and Logistics Pvt. Ltd) at Loni, Ghaziabad, Hind Terminals Pvt Ltd, Palwal and Gateway Rail Freight Ltd, Ballabgarh. However, with its integrated infrastructure, the company has been able to establish itself as one of the leading ICD and cargo handling service provider.

### Key Rating Strengths

**Experienced parentage but lack of timely support:** Infrastructure India Plc (IIP), an associate company of GGIC Limited (Guggenheim Global Infrastructure Company) is a close ended infrastructure fund, registered in the Isle of Man in UK and listed on AIM London acquired 100% equity shareholding in DLI in 2011. Further, in April 2018, IIP had sold the entire shareholding to Distribution and Logistics Infrastructure India, Mauritius (DLIM) and DLI has become its step-down subsidiary. In December, 2020, Seliz International Limited made an equity infusion of ~Rs.37.00 crore (2.67% ownership) in DLI. Further, DLIM has provided a shortfall undertaking to lenders of DLI to meet any shortfall for debt servicing and provide adequate funds latest by T-15 days of the scheduled payment of loans and has also earmarked Rs.100.00 crore for the same, however, the parent failed to provide timely support to DLI to service its debt obligation, which was due on April 30, 2022, leading to eventual default.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Experienced management team:** The management team of the company includes professionals having experience with Multi-model logistics and Freight Forwarding companies. The company's chairman Mr. Rahul Lulla (representative from IIP) is a board member of IIP. He has also earlier held positions in power & utilities financing at Morgan Stanley, CMS Energy Corp and Credit Suisse First Boston. Mr. Prashant Singh was recently appointed as the CEO of the company on July 01, 2021. In the past, he has worked for companies such as Adani group, Gateway Rail, Hind terminals, and bird group.

**Presence across verticals in the logistics industry (including category 1 license for Container Train Operator):** The company has the unique advantage of presence in all the verticals of the logistics industry ranging from road transportation (both domestic and EXIM), rail transportation, Inland container depots (ICDs), Free trade warehousing zone (FTWZ) to domestic terminals. Presently, the company operates with 10 rakes (with Freight Star brand) under category 1 license from Indian Railways to run container trains on its entire network for 20 years. The company's TMS (Transport Management System) includes road transportation business and material handling.

**Liquidity: Poor:** The liquidity profile of the company remained poor as reflected by ongoing delays in servicing of interest on term loan and working capital borrowings for the month of April (2022). There is a proposed capex of Rs.193.29 crore during the period FY22-FY23 (refers to the period from April 01, 2021 to March 31, 2023) for further development of its integrated logistic parks at Nagpur, Palwal, and Bangalore along with FTWZ (Free trade warehousing Zone) in Chennai. The same shall be funded from equity infusion of Rs.133.02 crore, internal accruals of Rs.42.10 crore, and proceeds from sale of assets not required for projects to the tune of Rs.18.17 crore. The company had availed moratorium in March, 2020 for six months from March 01, 2020 to August 31, 2020 in accordance with RBI's circular dated August 6, 2020 with respect to "Resolution framework for Covid – 19 related stress". In view of inadequate cash flow generation to meet the existing debt due to business disruption caused by the pandemic, the company applied for restructuring of its existing loan with a principal moratorium of up to two years starting from December 30, 2020 (cut-off date) and interest moratorium of 13 months from March, 2021 to March, 2022.

**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

Distribution Logistics Infrastructure Pvt Ltd (DLI), formerly Vikram Logistics & Maritime Services Pvt Ltd. is a multimodal integrated logistics service provider. DLI was originally promoted as a partnership firm in 1972; it was converted to Private Limited in 1992 as Vikram Associates Pvt Ltd. The name of the company was changed to Vikram Logistic and Maritime Services Pvt Ltd in 2006 and then to Distribution Logistics Infrastructure Pvt Ltd with effect from 12th September 2014. In 2011, Infrastructure India Plc (IIP), an associate company of GGIC Limited (Guggenheim Global Infrastructure Company) which is a close-ended infrastructure fund, registered in the Isle of Man in UK and listed on AIM London acquired 100% equity shareholding in DLI. Further, in 2019, IIP has sold the entire shareholding to the other shareholder Distribution and Logistics Infrastructure India, Mauritius (direct holding company of DLI) The company is engaged mainly in developing, operating and maintaining multimodal logistic park facilities including Free Trade Warehousing Zone (FTWZ), Inland Container Depot (ICD) and Domestic Terminals (DT), operating trailers and handing equipment's to move and handle the containerized cargo. Its terminals are located in Nagpur, Bangalore, Palwal (NCR) and Chennai. DLI owns and operates a fleet of 88 trailers along with over 300 containers and 29 handling equipment like Reach stackers, RTGs, Cranes, Forklifts.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (P)
Total operating income	257.80	286.03
PBILDIT	10.50	21.33
PAT	-86.80	-93.33
Overall gearing (times)	1.74	2.28
Interest coverage (times)	0.12	0.28

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		-	-	September, 2032	725.05	CARE D
Fund-based - LT-Cash Credit		-	-	-	20.90	CARE D
Non-fund-based - ST-BG/LC		-	-	-	52.71	CARE D

**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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE B+; Stable (12-Mar-21) 2)Withdrawn (12-Mar-21)	1)CARE B+; Stable (16-Dec-19)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE A4 (12-Mar-21)	1)CARE A4 (16-Dec-19)
3	Fund-based - LT-Funded Interest term Loan	LT	-	-	-	-	1)CARE B+; Stable (12-Mar-21) 2)Withdrawn (12-Mar-21)	1)CARE B+; Stable (16-Dec-19)
4	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE B+; Stable (12-Mar-21)	1)CARE B+; Stable (16-Dec-19)
5	Fund-based - LT-Term Loan	LT	725.05	CARE D	1)CARE D (24-May-22)	1)CARE BB-; Stable (28-Sep-21)	-	-
6	Fund-based - LT-Cash Credit	LT	20.90	CARE D	1)CARE D (24-May-22)	1)CARE BB-; Stable (28-Sep-21)	-	-
7	Non-fund-based - ST-BG/LC	ST	52.71	CARE D	1)CARE D (24-May-22)	1)CARE A4 (28-Sep-21)	-	-

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure 5: Bank Lender Details for this Company**To 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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