

Bhagwati Air Express Private Limited

March 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bhagwati Air Express Private Limited (BAEPL) to monitor the rating(s) vide e-mail communications/letters dated December 01, 2021, December 07, 2021 and February 25, 2022 etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on BAEPL's bank facilities will now be denoted as CARE C; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on March 09, 2021 the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Delay in servicing of debt obligations (Not rated by CARE)

The company has reported instance of delay in servicing of its debt obligations on commercial vehicle loan (not rated by CARE) owing to delay in receipt of receivables from the customers. There was a delay in generating E-way bill during January 2021 which subsequently resulted in delay in receipt of payment from the customers. This led to timing mismatch and the due debt obligation of Rs. 0.08 crore on February 22, 2021 was serviced on Feb 27, 2021 with a delay of five days. However, there was no overutilization in the cash credit facility and the average utilization remains more than 90% over the past 12 months February 2021.

Low profitability margins

Profitability margins of BAEPL remained low due to competitive and fragmented nature of the industry with company offering better rates to its clients for acquiring business. The PBILDT and PAT margins of the company remained low at 3.50% and -0.22% respectively during FY20 (A) as against 3.26% and -0.37% respectively during FY19(A).

Leveraged capital structure

The capital structure of the company stood leveraged with overall gearing of 2.33x in FY20(A) which increased moderately from 2.28x during FY19(A). The high overall gearing is largely due to increase in vehicle loans for buying fleet of trucks which increased from 81 trucks in FY19 to 108 trucks in FY20.

Working capital intensive nature of operations

As the company is engaged in deliveries across the country, the delivery time add to the receivable cycle of the company. The company gets payment in 30 days after presenting bill to its clients. The company has to incur some upfront operational expenses for security check and advance payments which along with time lag in collection of receivables results in higher working capital requirements for BAEPL. The company has to rely more on cash credit for financing its working capital needs and its cash credit limits remain utilized more than 90% over the past 12 months February 2021.

Highly fragmented and competitive industry

The logistics industry is highly fragmented with large number of operators owing to low entry barriers. Presence of various players results in intense competition within the industry. High fragmentation and intense competition lead to unhealthy price wars and discounts resulting in pressure on margins and depressed freight rate.

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

Key Rating Strengths

Experienced promoters

BAEPL is currently being managed by Mr. Dinesh Kumar Digga and Mr. Roopchand Baheti both promoters have vast experience of more than a decade in the logistics solutions through their association with BAEPL. They collectively look after the operations of the company. BAEPL has been operational for more than a decade, which has enabled company to establish relationship with its clients.

Growing scale of operations

Total operating income of BAEPL grew on y-o-y basis from Rs. 109.57 crore during FY19 (A) to Rs. 194.99 crore during FY20 (A) owing to higher demand from domestic logistics sector. Several government initiatives like Make in India, Skill India, Digital India and Start up India etc. had resulted in big boost to E-Commerce and manufacturing sector in India, which derived the demand in logistics sector in past few years. Diversified client base across various industries and presence in both surface and air freight forwarding BAEPL provides domestic freight services through both airway (Air Freight Forwarding services) and surface channel to its broad and diversified customer base in the verticals of E-commerce, pharmaceuticals and healthcare industry, automobile, Industrial companies, courier companies etc.

Liquidity: Stretched

The liquidity of BAEPL is stretched with tightly matched cash accruals vis-à-vis repayment obligations. The cash and balance available with company stood at Rs. 0.45 crore as on March 08, 2021. The company also has FDR with bank which stood at Rs. 3.45 crore as on March 08, 2021 of which Rs. 3.00 crore is lien marked with bank. Company has to rely on cash credit limit for its working capital requirements which remains utilized for more than 90% over the past 12 months February 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the Company

BAEPL was incorporated in 2010 by Mr. Dinesh Kumar Digga and Mr. Roopchand Baheti. The company provides domestic freight services through airway channel (air freight forwarding services) and surface transportation. The company has tie up with domestic air carrier for transportation of goods through air and for surface transportation the company has its own fleet of more than 108 trucks with capacity ranging from 9 tons to 18 tons.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	9MFY22 (UA)
Total operating income	109.57	194.99	-
PBILDT	3.57	6.83	-
PAT	-0.41	-0.42	-
Overall gearing (times)	2.28	2.33	-
Interest coverage (times)	1.37	1.96	-

A: Audited; UA: Unaudited

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-Cash Credit		-	-	-	15.00	CARE C; Stable; ISSUER NOT COOPERATING*

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-Cash Credit	LT	15.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable (09-Mar-21) 2)CARE B; Stable (05-Jan-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-Cash Credit	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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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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