

ABC India Limited

September 05, 2023

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	9.65 (Reduced from 10.25)	CARE BBB-; Negative	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	6.84 (Enhanced from 5.68)	CARE BBB-; Negative / CARE A3	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	1.20	CARE A3	Assigned
Short Term Bank Facilities	6.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of ABC India Limited (ABC) continue to draw comfort from long experience of the promoters in the logistics business, diversified portfolio of services, reputed client base and satisfactory capital structure and debt protection metrics. The ratings continue to be constrained by its high collection period in the project division, increase in group exposure and low profitability margin in the sector due to intense competition. The rating further takes cognizance of the continued moderation in financial performance in FY23 (refers to the period April 1 to March 31) and Q1FY24 on account of lower execution of project division orders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations (TOI over ₹200 crore) through regular receipt and execution of orders
- Ability to further grow and broaden the client base in FTL segment leading to diversification of the order book.
- Improving capital structure with adjusted overall gearing ratio below 0.50x.

Negative factors

- Weakening of liquidity profile due to elongation in collection period.
- PBILDT margin below 5% on a sustained basis.
- Increase in adjusted overall gearing beyond unity.
- Further increase in exposure to group company.

Analytical approach: Standalone

Outlook: Negative

CARE Ratings has revised the outlook to 'Negative' from 'Stable' in view of increase in group exposure amidst moderation in its financial performance which is likely to exert pressure on the financial flexibility of ABC. Outlook will be revised to stable if there is significant reduction in group exposure.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters: ABC was initially a part of TCI-Bhoruka group, promoted by Late Mr P D Agarwal. Mr. Ashish Agarwal (Managing Director) looks after the day-to-day affairs of the company along with support from a professional management team. He has over a decade of experience in transport business.

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

Diversified portfolio of services: ABC is engaged in multi modal logistics business and provides a wide range of services including transportation services, third party logistics, shipping, custom house clearing agent, C&F agent, warehousing, etc. While the company had acquired a large fleet of owned vehicles, primarily for its project logistics vertical, the profitability has been adversely impacted in the past few years mainly due to underutilization of owned fleet on the back of low orders in this niche segment. Following the same, the company has been reducing its fleet size and has been selective in taking orders in the project business.

Reputed client base with increase in order book providing moderate revenue visibility: ABC has a well-diversified and reputed client base. The client-base of the company includes Bharat Heavy Electricals Limited (BHEL), Numaligarh Refinery Limited, Bharti Hexacom Limited, Bharti Airtel along with top retail customers in FTL Division. Moreover, the company has been able to secure repeat orders from majority of the clients.

The company has diversified its order book with orders from NRL after completion of the BHEL project which accounts for around 52% of the order book as on August 20, 2023.

Satisfactory capital structure and debt protection metrics: The adjusted overall gearing ratio remained stable at 0.77x as on March 31, 2023 (0.77x as on March 31, 2022), despite increase in working capital borrowings due to gradual repayment of term debt and accretion of profits to reserves. TD/GCA improved substantially from 4.90x as on March 31, 2022, to 3.90x as on March 31, 2023, due to increase in GCA.

Key weaknesses

Increase in group exposure: ABC's exposure in group entity, in the form of investment in Assam Bengal Carriers, has increased from Rs.13.35 crore as on March 31, 2022 to Rs.14.77 crore as on March 31, 2023. The exposure to group entity as a % of networth has remained stable at 36% as on March 31, 2023. Substantial reduction in group exposure shall remain key rating monitorable.

Moderation in financial performance in FY23 and Q1FY24: The total operating income of the company declined by ~7% y-o-y to ₹78.10 crore in FY23 mainly due to lower revenue from Project division. Out of total order of ₹70 crore from Numaligarh Refinery Limited, the company has billed ₹2.5 crore in FY23, ₹4 crore in Q1FY24. Total of ₹30 crore – ₹33 crore will be booked in FY24 and balance in FY25.

The revenue from logistics and FTL division grew to ₹64.22 crore in FY23 from ₹ 48.24 crore in FY22. Going forward, the revenues are expected to improve on the back of project executions and improved FTL and logistics business. The PBILD margin remained stable at 6.32% in FY23 as against 6.43% in FY22. The company achieved PAT of ₹ 4.26 crore in FY23. The company earned GCA of ₹5.33 crore vis-à-vis repayment obligation of ₹1.09 crore in FY23.

In Q1FY24, the company reported operating income of ₹20.53 crore and PAT of ₹0.77 crore as against an operating income of ₹ 20.08 crore and PAT of ₹ 0.90 crore in Q1FY23.

High collection period: Business of ABC is working capital intensive on account of huge upfront expenses incurred in conducting operations both through own fleet of vehicles as well as hired vehicles. The company provides credit period of around 3-5 months to clients. The average collection period for the company though improved, remained significantly high at 221 days during FY23 due to retention money given for project division. The entire retention money amounting to ₹ 13.58 crore is expected to be received by FY25. The working capital requirement of the company is mainly funded through a mix of internal accrual and bank borrowings.

Low profitability margin due to intense competition: The profitability margin in the transportation and project segment is low due to intense competition from both organised as well as unorganised players. Further, less project allocations in the economy have resulted in weak demand for fleet services that ABC provides, in the past few years, which has further depressed the profitability of the companies operating in transportation segment.

Stable industry outlook:

The road transportation sector is highly fragmented with the presence of a large number of unorganised small truck operators. It is estimated that over 70% of truck owners in India have a fleet size of between one and five trucks. Truck operators are heavily dependent on intermediaries such as brokers and booking agents. The handlers hold a dominant position in pricing freight rates, shrinking margins of truck operators. Consequently, pure road transportation or trucking lacks pricing power and has low ability to pass on rising fuel and other costs. Larger fleet owners are obviously much better placed due to a large client base which they use to optimize utilization and achieve better margins.

Liquidity: Adequate

Adequate liquidity is marked by gross cash accruals of ₹5.33 crore vis-à-vis debt repayment obligations of ₹1.09 crore and free cash and bank balance of ₹2.67 crore as on March 31, 2023. The average utilization of the fund-based limits stood at ~92% during last 12 months ended July 31, 2023, supported by above unity current ratio.

Environment, social, and governance (ESG) risks: Not Applicable

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](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Road Transport

ABC India Limited, incorporated in 1972, is currently engaged in surface transportation and project logistics business. The company provides the multi modal logistics services (road, rail, river, custom, storage and warehousing) and Odd Dimensional Cargo services through a network of 20 branches in 20 locations including warehouses across the country. The company also owns one petrol pump for which it has outsourced operations on commission basis. ABC was initially a part of TCI-Bhoruka group promoted by Late Mr P D Agarwal. In 1995, the entire group business was divided among six brothers, with main entities being – ABC, Transport Corporation of India, GATI Ltd, Bhoruka Power Corporation Ltd and others. Mr Ashish Agarwal (grandson of Late Mr P D Agarwal) looks after the day-to-day operations of the company.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	83.82	78.10	20.53
PBILDT	5.39	4.94	1.56
PAT	2.73	4.26	0.77
Overall gearing (times)	0.49	0.50	0.46
Adjusted overall gearing (times)*	0.77	0.77	NA
Interest coverage (times)	2.44	2.16	2.89

A: Audited UA: Unaudited; NA: Not Available * Networth is adjusted for exposure in group entity. Note: 'the above results are latest financial results available'

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 facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Bank Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BBB-; Negative
Fund-based - LT-Term Loan		-	-	December, 2026	1.65	CARE BBB-; Negative
Fund-based - LT/ST-Bank Overdraft		-	-	-	6.84	CARE BBB-; Negative / CARE A3
Fund-based - ST-Standby Line of Credit		-	-	-	1.20	CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	6.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - ST-Bank Guarantee	ST	6.00	CARE A3	-	1)CARE A3 (08-Sep-22)	1)CARE A3 (19-Oct-21)	1)CARE A3 (07-Oct-20)
2	Fund-based - LT-Cash Credit	LT	8.00	CARE BBB-; Negative	-	1)CARE BBB-; Stable (08-Sep-22)	1)CARE BBB-; Stable (19-Oct-21)	1)CARE BBB-; Stable (07-Oct-20)
3	Fund-based - LT-Term Loan	LT	1.65	CARE BBB-; Negative	-	1)CARE BBB-; Stable (08-Sep-22)	1)CARE BBB-; Stable (19-Oct-21)	1)CARE BBB-; Stable (07-Oct-20)
4	Fund-based - LT/ST-Bank Overdraft	LT/ST*	6.84	CARE BBB-; Negative / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (08-Sep-22)	-	-
5	Fund-based - ST-Standby Line of Credit	ST	1.20	CARE A3				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Bank Overdraft	Simple
4	Fund-based - ST-Standby Line of Credit	Simple
5	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media Contact	Analytical Contacts
<p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Lalit Sikaria Director CARE Ratings Limited Phone: + 91-033- 40181607 E-mail: lalit.sikaria@careedge.in</p>	<p>Arindam Saha Director CARE Ratings Limited Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in</p> <p>Richa Bagaria Associate Director CARE Ratings Limited Phone: +91-033-4018 1600 E-mail: richa.jain@careedge.in</p> <p>Rinku Sultania Analyst CARE Ratings Limited E-mail: Rinku.Sultania@careedge.in</p>

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**