Flomic Global Logistics Limited

October 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1.00 (Enhanced from 0.80)	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	33.00	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	1.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Flomic Global Logistics Limited (FGLL) continue to derive strength from the experience of management team in the logistics industry, established network of carrier partners and diversified customer base. The performance of the company has improved during FY23. Total Operating Income (TOI) has grown by ~13% to Rs.419 crore in FY23 as compared to Rs.370 crore in FY22. PBILDT margins have improved to 7.77 % in FY23 from 6.91% in FY22. This was largely on account of increase in shipments and elevated freight rate. The performance is expected to moderate with significant correction in freight rate and recessionary trend continuing in European countries.

These rating strengths are however constrained by moderate profit margins resulting from pricing pressure in the intensely competitive logistics industry, moderate financial risk profile and coverage indicators, and susceptibility to economic slowdown and variation in trade volumes.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of scale of operation driven by higher volume and operating margin, leading to cash accruals of above Rs 30 crores on sustained basis
- Sustenance of financial risk profile and liquidity

Negative factors

- Decline in revenue or operating profits resulting in cash accruals of below Rs 15 crores.
- Increase in total debt leading to overall gearing deteriorating to 2.0x on a continuous basis.
- Deterioration in liquidity with operating cycle increasing above 60 days.

Analytical approach:

Standalone

Outlook: Stable

CARE Ratings believes that Flomic Global Logistics Ltd will continue to benefit from experience of management team in the logistics industry, established network of carrier partners and diversified customer base.

Detailed description of the key rating drivers:

Key strengths

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

Experienced and well-established promoter

Mr. Lancy Barboza, the Managing Director, has overall experience of more than three decades in the industry. After working in few freight forwarding companies at the start of his career, he decided to start his own venture from Mangalore Port and seeing greater opportunities of EXIM trade in Mumbai he shifted his business to Mumbai. He later converted his company into a Private Limited Company by the name Flomic Freight Services Pvt Ltd, in the year 1992. In 2020, Flomic Freight Services Pvt Ltd received the approval of amalgamation with Vinaditya Trading Company Limited from NCLT via reverse merger route. FGLL has a team of qualified professionals, pan India presence and in-house IATA, MTO, Custom Clearance, Warehousing & Transportation, thus it can offer multiple services under one roof. FGLL is a member of the World Cargo Alliance which is an association of over 2000 freight forwarding companies spread across the globe.

Established network of carrier partners and diversified customer base

The company handles transportation assignments of all types of commodities and to every corner of the world. It has established relationship with its diverse clientele who have been associated for the past several years providing repeat business. Basis its worldwide network of partners, FGLL provides total freight forwarding solutions to internationally reputed customers. The company has established a wide network of third-party agents in the countries where it does not have presence thus enhancing its reach globally. It has partnered with asset owners strategically located at various distribution hubs at important ports and cluster manufacturing locations. FGLL has diversified into warehousing and third-party logistics to cater to customers' requirements and has set up warehouses in Bhiwandi, Kolkata, Gurgaon, Pune and other locations. It is a licensed customs broker offering customs broking service at all major seaports, airports and other cargo distribution points.

Key weaknesses

Improvement in total operating income (TOI) during FY23 ; revenue and profitability to moderate due to sharp decline in freight rate

The total operating income (TOI) of the company has grown by ~13% to Rs.418.79 crore in FY23 as compared to Rs.370.16 crore in FY22 largely on account of increase in shipments along with elevated freight rate. The overall PBILDT margins have improved to 7.77 % in FY23 vs 6.91% in FY22. The performance has moderated during Q1FY24, with the company recording revenue of Rs. 68 crore (PY 140 crore) and PAT of Rs. 0.94 crore (PY 3.21 crore) largely on account of decline in freight rate. The overall growth in TOI and profitability is expected to moderate during FY24 with overall recessionary trend continuing in European countries.

Moderate profitability margins

The freight forwarding and warehousing industry in India is highly fragmented limiting the pricing power and hence profitability margins. The operating margins of the company thus remined moderate in the range of 5-7%.

Moderate financial risk profile and coverage indicators

The financial risk profile of the company remains moderate marked by high gearing on account of lease liability due to continues increase in warehousing space. The overall gearing slightly improved to 1.74 times as on March 31, 2023 as compared to 1.83 times as on March 31, 2022 owing to increase in net worth base. However, the interest coverage ratio slightly deteriorated to 3.89 times as on March 31, 2023 vis-à-vis 4.13 times as on March 31, 2022. The financial risk profile of the company is expected to moderate as the company is expecting correction in the growth in the scale and profitability of the business in the coming years.

Susceptibility to economic slowdown and variation in trade volumes

The performance of the logistics and freight forwarding industry is linked to global economic activities which have an impact on the Exim trade volume. Any slowdown in the domestic and global manufacturing/industrial activities due to weak economic conditions or restrictive trade policies can have a negative impact on the business of the company.

Industry Outlook

Rising inflation and uncertain global market conditions have led to loss in momentum of the global economy and this has impacted the freight industry with freight rates coming down faster than ever. Sustainability is expected to be a priority for the freight forwarding industry.

Liquidity: Adequate

FGLL's liquidity position is adequate. The company has term loan repayment obligation of Rs. 0.86 crore in FY23 and cash accruals is expected to be sufficient to meet the obligations. The utilization of fund-based limits for the past 12 months ending July 2023 is 64% and provides sufficient liquidity backup. The company has cash and cash equivalent of Rs.22.13 crore as on March 31, 2023 and has current ratio of 1.22. Operations continued to remain working capital intensive mainly on account of funds being blocked in receivables.

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

FGLL is an international freight forwarder which provides multiple services to its clients in the form of air freight forwarding, sea freight forwarding, custom broking, consolidation, cross trade & project cargo handling, supply chain (warehousing), transportation, domestic trade by land and air, and event & exhibition logistics. The company provides end to end solution to its clients wherein it picks up the export cargo from the factory in India and delivers to the warehouse of the buyer in a foreign country. In-house warehousing and transportation started since FY20 giving inward integration opportunity to increase customer engagement. The company has leased 1.2 mn sq. ft of warehousing as on March 31st, 2023.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24(UA)
Total operating income	370.16	418.79	68.23
PBILDT	25.59	32.55	8.05
PAT	9.64	9.48	0.94
Overall gearing (times)	1.89	1.74	NA
Interest coverage (times)	4.13	3.89	4.15

A: Audited UA: Unaudited; 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 instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	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-Term Loan		-	-	01/06/2025	1.00	CARE BBB-; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	27.00	CARE BBB-; Stable / CARE A3
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	6.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/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	Fund-based - LT-Term Loan	LT	1.00	CARE BBB-; Stable	1)CARE BBB-; Stable (15-Sep-23)	1)CARE BBB-; Stable (26-Oct-22)	1)CARE BBB-; Stable (11-Feb-22)	-
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	27.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (15-Sep-23)	1)CARE BBB-; Stable / CARE A3 (26-Oct-22)	1)CARE BBB-; Stable / CARE A3 (11-Feb-22)	-
3	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3	1)CARE A3 (15-Sep-23)	1)CARE A3 (26-Oct-22)	1)CARE A3 (11-Feb-22)	-
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	6.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (15-Sep-23)	1)CARE BBB-; Stable / CARE A3 (26-Oct-22)	1)CARE A3 (11-Feb-22)	-

*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-Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	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.

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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.

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