

Shree Vasu Logistics Limited

March 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	55.17 (Enhanced from 52.17)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	1.75	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	5.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The Ratings assigned to bank facilities of Shree Vasu Logistics Limited (SVLL) continue to drive strength from its experienced promoters having established track record of operations in the logistics industry including transportation, warehousing and carrying and forwarding (C&F) segment, diverse and reputed clientele resulting in limited counter party credit risk and adequate liquidity.

The Ratings also take cognizance of SVLL's growing scale of operations on moderate basis in FY23 (FY refers to period from April 01 to March 31) and 9MFY24 with scaling-up of logistics operations as well as commencement of trading operations under Exclusive Business Outlet (EBO) model with Page Industries Limited (PIL) for the latter's brand 'Jockey' while maintaining stable profitability. The Ratings also factor, advance stage of debt-funded capital expenditure (capex) for setting-up of warehouse and corporate office at Tenduva, Chhattisgarh.

However, the ratings continue to remain constrained on account of SVLL's leveraged capital structure and moderate debt coverage indicators, its presence in the highly competitive transportation and logistics industry. The Ratings also factor scalability risk associated with its trading operations under EBO model.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in its scale of operations above ₹120 crore with scaling-up of trading operations under exclusive brand outlets (EBO) model.
- Improvement in overall gearing considering external debt to below unity on a sustained basis.
- Improvement in overall profitability leading to better debt coverage indicators indicated by profit before interest, lease rentals, depreciation and tax (PBILDT) interest coverage of above 5x and total debt/ gross cash accruals (GCA) of less than 2.25x.

Negative factors

- Significant decline in scale of operations impacting its profitability and debt coverage indicators.
- Higher-than-envisaged debt-funded capex and/ or availment of additional working capital limits leading to deterioration in external overall gearing above 1.50x on a sustained basis.
- Elongation of its operating cycle to more than 75 days leading to high reliance on working capital borrowings.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings Limited's (CARE Ratings') expectation that SVLL will continue to benefit from experienced promoters having established presence in the logistics sector and its long-term association with reputed clientele.

Detailed description of the key rating drivers:

Key strengths

Experienced management with long track record of operations: SVLL is presently managed by Mr. Atul Kumar Garg (second-generation promoters), having experience of more than a decade in logistics operations. Promoters are also engaged into warehousing leasing and wholesale distribution business through other group entities. He is assisted by Mrs Preeti Garg with finance-related functions of the company. The promoters/ directors are well assisted by other professional Board of Directors who have a vast experience in their respective fields.

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

Diverse and reputed clientele resulting in limited counter party risk: SVLL provides integrated end-to-end logistics services, including, warehousing, transportation, inventory management, among others as per the requirement of its customers. Over the years, SVLL has expanded its asset base by building own fleet of vehicles and warehousing capacities by setting-up of own warehouse space as well as leasing. As on February 25, 2024, SVLL had warehousing space of around 17.57 lakh sq. ft. (1sf) considering advance stage of completion of deb-funded capex for setting-up of warehouse and corporate office at Tenduva, Chhattisgarh (0.66 sq. ft. capacity) and 92 vehicles.

SVLL has a long-standing relationship with various reputed corporate clients operating in agriculture, petroleum, food and food products, fast-moving consumer goods (FMCG), medicine, cosmetics, paints & adhesives and wires & cables among other industries. SVLL derived around 53% of its total operating income (TOI) from top 10 customers in FY23, indicating moderate client diversification. Long-term contracts with diversified clients ensure revenue visibility with a limited counterparty risk.

Growing albeit modest scale of operations while maintaining stable profitability: During FY23, SVLL's TOI grew by 19% y-o-y to ₹101 crore in FY23 (₹85 crore in FY22) due to scaling-up of logistics operations, albeit remained moderate. SVLL has diversified into trading operations under EBO model for PIL the latter's brand Jockey, however, revenue contribution was negligible in FY23, being the first year of operation.

During 9MFY24 (Prov.), SVLL has reported TOI of ₹92 crore (₹75 crore in 9MFY23), out of which 90% of the total revenue is derived from logistics operations and remaining from retail trading operations. Moderate scale of operations restricts SVLL's bargaining power as well as necessitates extension of an elongated credit period.

SVLL has adopted Indian Accounting Standards (IND-AS) for preparation of its audited financial statements from April 01, 2022, resulting in change in recognition of lease expenses as per IND-AS 116 'Lease'. Accordingly, lease expenses have been recognised as depreciation cost for the right-of-use assets and finance cost for interest accrued on lease liability in FY23 as well as FY22 (audited financials re-stated suitably due to the impact of IND-AS).

During FY23, SVLL has reported PBILDT margin of 25.73% (20.93% in FY22). The PBILDT margin eliminating the impact of IND-AS 116, was 9.51% in FY23 (10.11% in FY22). Nevertheless, profit after tax (PAT) margin remained stable at 2.04% in FY23 (2.57% in FY22) due to increase in interest expenses on lease liabilities and depreciation cost on lease assets post adoption of IND-AS.

Key weaknesses

Leveraged capital structure and modest debt coverage indicators: With adoption of IND-AS, SVLL's total debt has increased to ₹93.84 crore as on FY23-end (₹59.72 crore as on FY22-end), out of which lease liability accounted for ₹60.17 crore (₹27.75 crore as on FY22-end). SVLL's capital structure remained leveraged marked by overall gearing ratio and total outside liability (TOL)/total net worth (TNW) of 2.59x and 2.86x respectively as on FY23-end (2.04x and 2.32x respectively as on FY22-end). Marginal deterioration in its capital structure was on account of avilment of project debt towards warehouse and corporate office as well as EBO capex.

Due to thin profitability and increase in debt levels, SVLL's debt service coverage indicators remained modest marked by PBILDT interest coverage of 3.09x in FY23 (3.49x in FY22) and total debt to GCA of 5.59 years (4.90 years in FY22) due to increase in total debt (including lease liability) as on balance sheet against moderate profitability.

Scalability risk associated with trading venture under EBO model: During FY23, SVLL has diversified into retail trading business under EBO model for the brand 'Jockey'. The company has initially planned to open 35 EBOs at multiple locations, at an estimated cost of ₹11-12 crore, envisaged to be funded by term loan of ₹8 crore (tied-up) and balance through internal accruals/unsecured loans (USL). Till February 2024, SVLL has set up 16 EBOs (out of which 10 EBOs commenced operations in FY23) at a cost of ₹6.30 crore, funded by term loan of ₹3.10 crore and balance through USL/ internal accruals. Capex for setting-up of another EBO is under progress and will be done by the end of FY24. As articulated by the management, capex for remaining EBOs will be done gradually in a span of two years, subject to scaling-up and achievement of break-even point of existing EBO operations. Thus, scaling-up of trading operations along with realisation of envisaged benefits therefrom shall remain crucial from credit perspective.

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 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 remained adequate marked by moderate average utilisation of sanctioned fund-based (FB) and non-fund-based (NFB) facilities of 57% and 63% in trailing 12 months ended on January 31, 2024. SVLL has been sanctioned FB working capital

limits of ₹7 crore to meet working capital requirement for trading EBO operations, out of which ₹3.20 crore is available for use towards 16 EBOs in FY24.

SVLL's operating cycle remained comfortable at 52 days in FY23 (51 days in FY22). Also, average debt service coverage ratio remains moderate in the range of 1.15-1.30x (including lease repayment obligations). As on March 31, 2023, SVLL had low cash and bank balances of ₹1.07 crore (including lien-marked fixed deposit receipts (FDRs) for non-fund-based limits of ₹0.39 crore).

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport services	Logistics solution provider

Raipur (Chhattisgarh) based SVLL was incorporated in 2007 as a private limited company by the Garg family with a takeover of four family-owned proprietorship concerns. In 2018, SVLL was converted into Public Limited Company and got listed with National Stock Exchange of India's (NSE) SME platform. In April 2023, SVLL migrated from SME Emerge platform to main board of NSE. SVLL is engaged in logistic services including transportation, warehousing, inventory management, material handling and packaging. The company is providing C&F services in Chhattisgarh, Orissa, West Bengal, Assam, Madhya Pradesh and Maharashtra. SVLL has also diversified in to trading division through EBO for Jockey Brand by setting-up of 16 EBOs at multiple locations.

Brief Financials (₹ crore)	March 31, 2022 (A)*	March 31, 2023 (A)	December 31, 2023 (UA)
Total operating income	84.82	100.51	91.88
PBILDT	17.75	25.86	24.89
PAT	2.18	2.05	2.92
Overall gearing (times)	2.04	2.59	2.86
Interest coverage (times)	3.49	3.09	3.13

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available';

*due to adoption of IND-AS for preparation of financial statements w.e.f. April 01, 2022, figures for the corresponding period have been regrouped/re-arranged and suitably classified wherever found necessary.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating history for last three years: Please refer to 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: Please refer to Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	12.07	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	17.44	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	October, 2029	25.05	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	August, 2024	0.61	CARE BBB-; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	-	1.00	CARE A3
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	1.75	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee	-	-	-	-	4.00	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	25.05	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-23)	1)CARE BBB-; Stable (30-Mar-22)	1)CARE BBB-; Stable (17-Mar-21)
2	Fund-based - LT-Cash Credit	LT	17.44	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-23)	1)CARE BBB-; Stable (30-Mar-22)	1)CARE BBB-; Stable (17-Mar-21)
3	Fund-based - LT-Bank Overdraft	LT	12.07	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-23)	1)CARE BBB-; Stable (30-Mar-22)	1)CARE BBB-; Stable (17-Mar-21)
4	Fund-based - ST-Working Capital Demand loan	ST	1.00	CARE A3	-	1)CARE A3 (30-Mar-23)	1)CARE A3 (30-Mar-22)	1)CARE A3 (17-Mar-21)
5	Non-fund-based - ST-Bank Guarantee	ST	4.00	CARE A3	-	1)CARE A3 (30-Mar-23)	1)CARE A3 (30-Mar-22)	1)CARE A3 (17-Mar-21)
6	Fund-based - LT-Working capital Term Loan	LT	0.61	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-23)	1)CARE BBB-; Stable (30-Mar-22)	1)CARE BBB-; Stable (17-Mar-21)

7	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.75	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (30-Mar-23)	-	-
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LT: Long term; ST: Short term; LT/ST: 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-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 - LT/ ST-Bank Guarantee	Simple
7	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

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About us:

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