

ABC India Limited

August 06, 2024

| Facilities | Amount (₹ crore) | Ratings ¹ | Rating Action |
|--|-----------------------------|-------------------------------|---------------|
| Long-term bank facilities | 8.90 (Reduced from 9.65) | CARE BBB-; Negative | Reaffirmed |
| Long-term / Short-term bank facilities | 5.95 (Reduced from 6.84) | CARE BBB-; Negative / CARE A3 | Reaffirmed |
| Short-term bank facilities | 7.20 | 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) continues to derive strength from its promoters' extensive logistics experience, diversified portfolio of services, reputed client base with satisfactory order book position providing moderate revenue visibility satisfactory capital structure and debt protection metrics.

The ratings also take into consideration the moderation in financial performance in FY24 (refers to the period April 1 to March 31) albeit increase in scale of operations.

The ratings continue to be constrained by its exposure to group entity (31% of net worth as on March 31, 2024) which has witnessed slight decline in FY24, high collection period though witnessed some improvement in FY24, and low profitability margin due to intense competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing total operating income (TOI over Rs.200 crore) through regular receipt and execution of orders.
- Ability to further grow and broaden the client base in full truck load (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.
- Increasing adjusted overall gearing beyond unity.
- Any further increase in exposure to group company.

Analytical approach: Standalone

Outlook: Negative

CARE Ratings has continued the outlook as 'Negative' in the view of high 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.

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.

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

Reputed client base with satisfactory order book position providing moderate revenue visibility

ABC has a well-diversified and reputed client base. The client-base of the company includes Numaligarh Refinery Limited (NRL), 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 a diversified order book with orders from NRL accounting for around 44% of the order book as on July 26, 2024.

Satisfactory capital structure and debt protection metrics

The capital structure of the company remained satisfactory marked by overall gearing ratio of 0.46x as on March 31, 2024 as compared with 0.50x as on March 31, 2023 mainly on account of accretion of profits to reserves. The adjusted overall gearing (adjusted for exposure in group companies), though witnessed improvement from 0.93x as on March 31, 2023 to 0.78x as on March 31, 2024 mainly on account of accretion of profit to reserves, continued to remain satisfactory. Interest coverage ratio improved slightly to 2.59x in FY24 as compared to 2.16x in FY23 on account of increase in absolute PBILDT. However, TD/GCA moderated to 5.42x as on March 31, 2024 as compared with 4.03x as on March 31, 2023 due to decline in absolute GCA levels. Going forward the capital structure is expected to improve over the years.

Key weaknesses

Slight decline in group entity exposure

ABC's exposure in group entity in the form of investment in Assam Bengal Carriers, has slightly declined from Rs.14.77 crore as on March 31, 2023 to Rs.13.99 crore as on March 31, 2024. The exposure to group entity as a % of net worth has also declined to 31% as on March 31, 2024 as compared with 36% as on March 31, 2023. Substantial reduction in group exposure shall remain key rating monitorable.

High collection period though witnessed improvement in FY24

ABC's business 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 operating cycle of the company witnessed significant improvement from 90 days in FY23 to 41 days in FY24 mainly on account of significant decrease in collection period from 182 days in FY23 to 121 days in FY24, with company increasing its focus on clients making timely payments. However, the collection period continues to remain high. The working capital requirement of the company is mainly funded through a mix of internal accrual and bank borrowings.

Moderation in financial performance in FY24 albeit increase in scale of operations

The total operating income (TOI) of the company witnessed y-o-y growth of 27.91% to Rs.99.90 crore in FY24 as compared to Rs.78.10 crore in FY23. The growth was primarily driven by the recognition of higher revenue from NRL projects. However, revenue from FTL and logistics division stood steady at around Rs.66.37 crore in FY24.

PBILDT margin witnessed decline to 5.92% in FY24 vis-à-vis 6.32% in FY23 due to increase in shipment and custom clearing expenses in FY24. The company also witnessed decline in PAT to Rs.2.28 crore in FY24 as compared to Rs.4.22 crore in FY23 on account of both higher tax liability and non-existence of profit from sale of fixed assets which was there in FY23.

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.

Liquidity: Adequate

Though average fund-based working capital limit utilisation remained high at around 93%, however, the liquidity stands adequate with company earning sufficient cash accruals of Rs.3.81 crore against debt repayment obligation of Rs.1.01 crore in FY24. In FY25, the company has debt repayment obligation of Rs.1.56 crore against which it is expected to generate sufficient cash accruals. Furthermore, the company has free cash and bank balance of Rs.2.04 crore and current ratio stood comfortable at 1.59x as on March 31, 2024.

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 | Road Transport |

ABC, 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, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income | 78.10 | 99.90 |
| PBILDT | 4.94 | 5.92 |
| PAT | 4.22 | 2.28 |
| Overall gearing (times) | 0.50 | 0.46 |
| Interest coverage (times) | 2.16 | 2.59 |

A: Audited; 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 | Coupon Rate (%) | Maturity Date | 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 | 0.90 | CARE BBB-; Negative |
| Fund-based - LT/ ST-Bank Overdraft | | - | - | - | 5.95 | 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 Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-------------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | 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 |
| 1 | Non-fund-based - ST-Bank Guarantee | ST | 6.00 | CARE A3 | - | 1)CARE A3 (05-Sep-23) | 1)CARE A3 (08-Sep-22) | 1)CARE A3 (19-Oct-21) |
| 2 | Fund-based - LT-Cash Credit | LT | 8.00 | CARE BBB-; Negative | - | 1)CARE BBB-; Negative (05-Sep-23) | 1)CARE BBB-; Stable (08-Sep-22) | 1)CARE BBB-; Stable (19-Oct-21) |
| 3 | Fund-based - LT-Term Loan | LT | 0.90 | CARE BBB-; Negative | - | 1)CARE BBB-; Negative (05-Sep-23) | 1)CARE BBB-; Stable (08-Sep-22) | 1)CARE BBB-; Stable (19-Oct-21) |
| 4 | Fund-based - LT/ST-Bank Overdraft | LT/ST | 5.95 | CARE BBB-; Negative / CARE A3 | - | 1)CARE BBB-; Negative / CARE A3 (05-Sep-23) | 1)CARE BBB-; Stable / CARE A3 (08-Sep-22) | - |
| 5 | Fund-based - ST-Standby Line of Credit | ST | 1.20 | CARE A3 | - | 1)CARE A3 (05-Sep-23) | - | - |

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-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

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About us:

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