

Varuna Integrated Logistics Private Limited

September 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	150.00	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	5.00	CARE BBB+; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Varuna Integrated Logistics Private Limited (VILPL) continue to derive strength from the experienced promoters of Varuna group with long track record of operations in logistics industry and long- term association with reputed clientele having presence in multiple diverse industries including FMCG (fast moving consumer goods), food & beverages, Tyre etc. The rating takes cognizance of sustained scale of operations during FY24 (Prov.) (refers to period April 01 to March 31) with moderate profitability margins owing to limited bargaining power of the company and high competition. Going forward, CARE expects company's debt requirements to reduce given no major debt funded vehicle replacement capex planned in near term and strategically shift towards addition of different segment customers with better pricing terms with ability of the group to partially pass on the increased diesel cost to its customers. These rating strengths, however, continue to remain constrained by group's presence in highly fragmented and competitive logistics industry, average financial risk profile characterised by moderate overall gearing, working capital intensive nature of operations and moderate debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to pass on increased fuel and other operating costs to customers leading to improvement in PBILDT margins above 10% on sustained basis.
- Improvement in cash accruals above Rs. 50 crores and improvement in overall gearing to below 1.0x with interest coverage ratio above 4 times on a sustained basis.
- Ability of the company to reduce segmental concentration risk through diversifying the presence across the value chain with increasing revenue contribution from warehousing segment.

Negative factors

- Decline in scale of operations below Rs. 800 crores and PBILDT margin below 4.50% on a sustained basis.
- Elongation in operating cycle above 70 days leading to deterioration in liquidity position.
- Any higher than envisaged debt funded capex resulting in deterioration in overall gearing above 1.25 times and TD/PBILDT above 4.00 times.

Analytical approach: CARE has conducted assessment based on consolidated approach collectively represented as 'Varuna Group', as the group entities are involved into the similar line of business, have common management, operational and cash flow fungibility. The list of subsidiaries considered for consolidation is given in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE's opinion that Varuna group will be able to partially pass on the increased diesel cost going forward which is expected to improve the profitability margins. Further, overall financial risk profile of the company is expected to improve with no major debt funded vehicle replacement capex required in near term.

Detailed description of the key rating drivers:

Key strengths

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

Experienced promoters with long track record of operations in logistics industry

VILPL is the flagship entity of Varuna group and holds significant importance as largest share of group revenue comes from VILPL only, which is engaged into road transportation services through owned and hired fleet of containerized dry bed trucks. The group also has presence across the entire value chain of logistics services including warehousing solution, logistics consultancy services and reverse charge mechanism. The group is promoted and managed by the two brothers namely Mr. Vikas Juneja, Chairman and Mr. Vivek Juneja, Managing Director. Both the promoters have extensive industry experience of over three decades in the logistics domain and further assisted by a team of professionals.

Long term association with diversified and reputed clientele

Varuna group has long term relationship with the reputed clientele having strong credit risk profile which includes several leading multi-nationals and domestic companies and has long- term relationship ranging 10 to 15 years. It helps the company in getting repeat orders thereby providing revenue visibility and is expected to drive business growth going forward. Further, the group has presence across varied industries including FMCG segment, food & beverages, Tyre segment among other sectors throughout India.

Sustained scale of operations with moderate profitability margins

The group has reported sustained scale of operations at Rs. 817.13 crores in FY24 (Prov.), witnessing a nominal degrowth of 6.79% over TOI of Rs. 876.66 crore in FY23. The slight decline was largely attributed to nationwide truck drivers' strike during Jan 2024 and the increased pricing pressure in the FMCG sector. However, the company has strategically shifted its business, focusing on addition of different segment customers like Petrochemicals, Electronics & Engineering, and Pharma with better pricing terms, supported by vertically integrated operations. The group has achieved PBILDT margins of 5.29% in FY24, against 5.40% in FY23, maintaining a similar level. However, the PAT margins improved from negative 1.74% in FY23 to negative 0.39% in FY24, primarily due to a reduction in depreciation cost. The moderate profitability margins were mainly on account of high competition leading to low bargaining power of the company and lag in passing on the increased diesel cost.

Key weaknesses

Fragmented and competitive nature of logistics industry

The profitability margin in the transportation and storage segment is low due to intense competition from both organised as well as unorganised players as only 10-15 per cent of the over 317-billion dollars Indian logistics market is owned by organised players, however, there has been a gradual shift in preference towards organised players in the transportation business since the implementation of the GST and e-way bills etc. Varuna group is engaged into providing freight transport and warehousing solutions and is exposed to intense competition from integrated players having diversified business profile.

Elongated collection period albeit efficiently managed working capital

The group's working capital requirements are efficiently managed despite elongated collection period and high upfront expenses. The operating cycle stood at 54 days as on March 31, 2024, compared to 47 days as on March 31, 2023, collection period of 58 days as on March 31, 2024, compared to 54 days as on March 31, 2023, and creditors period stood at 5 days as on March 31, 2024 (FY23: 7 days). The time gap in collection of receivables vis a vis upfront outflow of expenses results in large working capital requirement reflected in the average working capital limit utilization of 62.21% for the trailing twelve months ending on July 31, 2024, against sanctioned limit of Rs. 143.00 crores.

Average though improved financial risk profile

VILPL has average financial risk profile marked by moderate capital structure, though overall gearing improved to 1.20 times as on March 31, 2024 (Prov), from 1.63 times as on March 31, 2023, on account of repayment of term debt with no fresh availment & better utilization of working capital limits during the year. Further, PBILDT interest coverage ratio slightly improved from 2.80x in FY23 to 2.90 times in FY24, albeit remains weak. The total debt/GCA & total debt/CFO ratios improved from 6.15 times in FY23 & 5.59 times in FY23, to 4.54 times & 2.78 times in FY24 respectively, owing to reduced debt levels & stable cash accruals during FY24.

Liquidity: Adequate

The liquidity position of the company is adequate characterized by sufficient cushion available between expected GCA of Rs. 38.69 (on consol. level) in FY25 against scheduled repayment obligations of Rs. 30.70 crores and further aided by free cash and cash equivalent of Rs. 2.20 crores (approx.) as on June 30, 2024. Further, sufficient cushion available in form of unutilised WC limit of

close to Rs. 24 crores as of June 2024, is adequate to meet its incremental working capital needs over the near term. Further, supported by the above unity current ratio at 1.79x as on March 31, 2024 (PY: 1.56 times).

Applicable criteria

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Rating Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Logistics Solution Provider

Varuna Integrated Logistics Private Limited (VILPL) is a part of Varuna group started in year 1996 and the group is engaged into providing integrated logistics services for majority of the elements of supply chain management including transportation, warehousing, logistic consultancy across India.

Standalone- Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	777.65	814.55	756.75
PBILDT	38.39	38.35	34.24
PAT	5.29	-19.85	-8.76
Overall gearing (times)	1.06	1.59	1.24
Interest coverage (times)	3.78	2.47	2.46

A: Audited Prov.: Provisional; Note: these are latest available financial results

Consolidated- Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	833.98	876.66	817.13
PBILDT	43.97	47.37	43.24
PAT	7.13	-15.25	-3.18
Overall gearing (times)	1.18	1.63	1.20
Interest coverage (times)	3.86	2.80	2.90

A: Audited, Prov.: Provisional, 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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	November 2026	17.50	CARE BBB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	132.50	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE BBB+; Stable / CARE A3+

Annexure-2: Rating history for 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	Fund-based - LT-Working Capital Limits	LT	132.50	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Jul-23)	-	-
2	Fund-based - LT-Term Loan	LT	17.50	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Jul-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (06-Jul-23)	-	-

LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Varuna Integrated Services Private Limited (VISPL)	Full	Subsidiary
2	Varuna SCM Solutions Private Limited (VSCMS)	Full	Subsidiary
3	Varuna Warehousing Private Limited (VWPL)	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Dhruv Mittal Assistant Director CARE Ratings Limited Phone: 91-120-4452050 E-mail: dhruv.mittal@careedge.in
	Mohit Gupta Analyst CARE Ratings Limited E-mail: mohit.gupta@careedge.in

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