

## Ashutosh Container Services Private Limited

September 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	15.00	CARE BBB+; Stable	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

For arriving at the rating of Ashutosh Container Services Private Limited (ACSPL), CARE Ratings Limited (CARE Ratings) has considered the combined business and financial profile of three entities, namely, ACSPL, Ashtavinayak Enterprise (AVL) and Siddhivinayak Logistics (SVL), collectively known as Ashutosh Group (AG) as these entities are jointly managed by Thacker family, have presence in similar line of business and have operational linkages.

The rating assigned to ACSPL derives strength from vast experience of the promoters in the logistics industry, large fleet of owned equipment and machinery and AG's long-standing relationship with shipping lines and custom house agents.

The rating also factors strong profitability, conservative capital structure, strong debt protection metrics and adequate liquidity.

The rating strengths are partially offset by AG's moderate scale of operations which remains susceptible to fluctuations in global EXIM trade dynamics and government policies, and intense competition from other container freight stations (CFS) at Mundra.

The rating also factors AG's significant equity commitments for its ongoing projects within its group companies.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Substantial growth in scale of operations while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 20%, with current level of liquidity and financial risk profile.

#### Negative factors

- Decline in scale of operations below ₹120 crore.
- Dip in PBILDT margins below 20%
- Significantly higher than envisaged investment in subsidiary or associate, continuous buyback leading to weakening liquidity and financial risk profile.

### Analytical approach: Combined

For arriving at the credit rating, CARE Ratings has combined the financial and operational risk profile of ACSPL, AVE and SVL (together referred to Ashutosh Group [AG]) as these entities are commonly promoted and controlled, are operating in similar line of business and have operational as well as financial linkages. Further, Thacker family is planning to merge the business operations of both partnership firms, SVL and AVE, with ACSPL.

### Outlook: Stable

The 'stable' outlook reflects CARE Ratings' expectation that the group shall maintain the healthy business risk profile over the medium term supported by steady volume and its established presence at Mundra.

### Detailed description of key rating drivers:

#### Key strengths

#### Experienced promoters with broad spectrum of services through owned fleet of machinery and equipment

Incorporated in October 2003, AG is currently managed by Thacker family. AG is led by Mr Bhaven Thacker, who is having an experience of more than 20 years in CFS operations and logistics industry. He is supported by professional and experienced second level management team and Thacker family members.

AG offers a comprehensive range of services including import-export cargo handling, cargo stuffing and destuffing, container storage and handling, empty container handling and storage, warehousing, container and cargo transport among other. AG operates with a large fleet of owned equipment and machinery (forklifts for Cargo handling, Laden Reach stackers, Cranes, etc.) enabling them to offer various services to their customers independently and in a timely manner, without relying on other logistics companies.

#### Long standing relationship with shipping lines and custom house agents

AG has developed strong relationships with various shipping lines and custom house agents (CHA) which helps them in securing business. Over the past three years, top 10 shipping lines and CHAs have contributed around 37%-43% of AG's TOI.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Healthy profitability and financial risk profile**

During last two years ended FY24, AG's PBILDT margin has improved by 973 basis points (bps) y-o-y to 24.43% in FY24 from 14.70% in FY22 primarily due to better absorption of the overheads and increase in handling charges. AG's financial risk profile is marked by conservative capital structure with an overall gearing at 0.07x as on March 31, 2024 (0.09x as on March 31, 2023) and strong debt coverage indicators marked by interest coverage of 43.05x (30.14x in FY23) and total debt to gross cash accrual (TD/GCA) of 0.28x in FY24 (0.54x in FY23). The outstanding debt was majorly in the form term loans for trailers and reach stackers.

**Key weaknesses****Moderate scale of operations in a competitive CFS business and susceptibility to fluctuations in cargo movement:**

AG's TOI stood at ₹143.39 crore during FY24 showing around 23% growth from ₹94.10 crore in FY22 (FY23 – ₹106.08). The growth in TOI is primarily on account of increase in container and cargo volume handled and higher handling charges per Twenty-foot Equivalent Units (TEU) consequent to increase in overall volume of containers handled at Mundra port. Notwithstanding above, AG faces intense competition from over 15 registered CFS facilities with an annual capacity of 1.35 million TEUs at Mundra port and its surrounding areas, leading to pressure on revenue and profitability. However, AG's strong relationships with shipping lines and CHAs help mitigate this risk.

**Susceptibility to fluctuations in global EXIM trade dynamic**

The CFS industry is vulnerable to disruptions or volatility in EXIM trade (quantum and volumes) and the capex cycle. A slowdown in global trade can reduce freight volumes, rates, and profitability, impacting overall business. Additionally, government policies on export and import trade can significantly affect the CFS sector's profitability.

**Sizeable equity commitments for ongoing projects in group companies**

AG is undertaking a real estate villa project near Mundra, with a total estimated project cost of ~₹140 crore, through NDT Realinfra LLP in which ASCPL holds 99% stake. As on July 31, 2024, AG has already invested around ₹23.21 crore and plans to invest additional ₹29.00 crore over the next three years, utilising its internal accruals, cash reserves and free liquid investments.

Furthermore, AG plans to invest ₹18 crore (for 33% stake) in the next two years for construction of a warehouse in Dubai, through one of its group companies. It is also expected to be funded through internal accruals. Completion of the projects with envisaged timelines and cost parameters remain crucial from the credit perspective.

Further, AG is expanding its CFS operations in 10-acre land adjacent to current CFS area and will be incurring capex of around ₹12 crore by FY25 end utilising its internal accruals.

**Liquidity: Adequate**

AG's liquidity was adequate marked by healthy free cash and bank balance, generation of strong cash accruals against negligible debt repayment obligations and low reliance on bank borrowings for working capital requirements. During FY24, AG generated GCAs of ₹27.76 crore (FY23: ₹15.83 crore) and had cash and bank balance of ₹41.17 crore as at FY24 end (FY23 end: ₹34.90 crore). Further, cash flow from operating activity was positive at ₹27.72 crore in FY24 as against ₹15.31 crore in FY23. As on FY24 end, AG's current ratio stood at 3.92x (FY23 end: 4.57x) and quick ratio stood at 3.88x (FY23 end: 4.51x). The group's operating cycle remained lean at two days for FY24 (FY23: 13). Further, merger of business operations of partnership firms is expected to improve the group's liquidity cushion.

**Assumptions/Covenants** – Not applicable

**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](#)

[Consolidation](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Logistics solution provider

Incorporated in October 2003, Ashutosh Container Services Private Limited (ACSPL) operates CFS situated on a 30-acre site ~10 km from Mundra port. The facility has a capacity to handle 120,000 TEUs annually. The company features a 15,000 square metre (sq mt) covered warehouse, substantial fleet of cranes, loaders, and trailers for cargo and container transport, digital weighbridge, and RFID container tracking system.

AVE is a partnership firm of Thacker family and engaged in business of empty container park and forwarding business.

SVL is a partnership firm of Thacker family and engaged in business of empty container park.

### Brief financials

Brief Financials (₹ crore) - AG	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	106.18	143.39
PBILDT	19.15	35.02
PAT	10.09	22.26
Overall gearing (times)	0.09	0.07
Interest coverage (times)	30.14	43.05

UA: Unaudited; Note: these are latest available financial results

Brief Financials (₹ crore) - ACSPL	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	67.80	83.69	18.64
PBILDT	13.13	22.08	NA
PAT	7.20	14.01	NA
Overall gearing (times)	0.04	0.05	NA
Interest coverage (times)	30.94	40.68	NA

A: Audited; UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** ICRA migrated the ratings of ACSPL under 'Issuer not cooperating' category vide press release dated July 25, 2024, considering its inability to carry out a rating exercise in the absence of the requisite information from the company.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	-	-	-	-	15.00	CARE BBB+; Stable

**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-Long Term	LT	15.00	CARE BBB+; Stable				

LT: Long 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-Long Term	Simple

**Annexure-5: Lender details**

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

**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

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### About us:

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