Om Logistics Limited

February 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	44.16	CARE AA-; Stable	Assigned
Long-term bank facilities	174.00 (Enhanced from 117.00)	CARE AA-; Stable	Reaffirmed
Short-term bank facilities	6.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Om Logistics Limited (OLL) have been reaffirmed, reflecting the company's robust financial profile, driven by steady growth in operating income, comfortable capital structure, and healthy debt coverage indicators in FY24 (refers to April 01 to March 31), supported by higher tonnage handled and rise in average realisation.

Ratings continue to draw comfort from the experienced promoters and long track record of operations in the logistics industry and established and diversified customer portfolio with pan-India presence. CARE Ratings Limited (CARE Ratings) also takes note of the company's continued focus to operate on asset light model with 11,389 hired fleet, 895 owned fleet and total warehousing area of 114.77 lakh square feet (lsf) as on September 30, 2024. Ratings also take cognisance of the company's strong liquidity position and low debt obligation going forward.

However, ratings' strength remains constrained by the high dependence of the company on auto sector, which contributes over 55-60% revenue, fragmented and competitive logistics industry, and its relatively moderate market share and the company's working capital intensive operations with elongated receivable period.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to significantly scale up its operations by diversifying and adding clientele from different industries leading to annual cash accruals in the range of ₹ 300-350 crore on a sustained basis with net debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) less than 0.5x.

Negative factors

- Muted revenue growth and/or weakness in the overall margin profile.
- Significantly large debt-funded acquisition without a commensurate improvement in the profitability or the business profile.

Analytical approach: Consolidated

CARE Ratings has taken a consolidated approach in analysing the overall credit profile of OLL owing to strong operational linkages with its subsidiaries which are present in the same business and considering common management. The entities considered in consolidation are mentioned in Annexure-6 below.

Outlook: Stable

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

Stable outlook assigned to OLL reflects is likelihood to maintain its market position and favourable demand scenario shall enable it to sustain healthy operational and financial performance over the medium term.

Detailed description of key rating drivers:

Key strengths

Improving revenue and strong financial risk profile

The company's total operating income (TOI) grew by 9% in FY24, reaching ₹1,981.84 crore compared to ₹1,809.58 crore in FY23, driven by an increase in volumes handled and average realisation. However, margins moderated in FY24 to 14.61% from 16.50% in FY23, primarily due to inflationary pressure on its fixed cost capacity due to entering new business segment.

On a standalone basis, OLL continued its growth trajectory in 6MFY25, registering a 10.80% year-over-year (y-o-y) increase in TOI, which stood at ₹1009.74 crore, with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins at 11.46%.

The company's overall solvency position has shown significant improvement, with debt-to-equity and overall gearing ratios strengthening as on March 31, 2024. The overall gearing improved to 0.10x as on March 31, 2024, compared to 0.11x as on March 31, 2023. This improvement was primarily due to scheduled debt repayments and a substantial increase in profits contributing to net worth. The company reported net debt to PBILDT of 0.10x in FY24 compared to negative 0.4x in FY23 due to marginal increase in overall debt and moderation in operating profitability. The company has acquired 100% stake in Sanjvik Terminals Private limited in August 2024 for an enterprise value of for ₹97.69 crore. It operates an ICD port in Bawal, Haryana and was funded from internal accruals and from cash available with the company. The net leverage is expected to moderately increase in FY25 considering usage of cash towards acquisition, however it is expected to remain comfortable due to expected improvement in operating profits with no major planned debt funded capex.

As on September 30, 2024, the total debt stood at ₹170.19 crore, 46.87% of the total debt is related to lease liabilities (FY24: 86.22%) while unsecured loans from promoters contributes 2% (FY24: 7.15%), rest is related to working capital borrowings and term loan.

Experienced promoters and long track record of operations

OLL has been promoted by Ajay Singhal, the company's CMD. Singhal has an experience of over three decades in the logistics domain and ventured in the logistics business in 1990 through Om Auto Carrier (a sole proprietorship concern), which was primarily engaged in the transportation of vehicles from car manufacturers. In the course of time, the company introduced several services pertaining to logistics and kept on consolidating its position as a leading logistics service provider. Singhal is assisted by a team of professionals having substantial experience in the logistics domain.

Diversified revenue stream with focus on 3PL services with group synergies

OLL is a third-party logistics (3PL) service provider and provides services through a multi-modal (road, rail and air) mechanism. The company derives majority revenue under 3PL services; and ~84% of the total income and 16% revenue was from plain transportation (FTL Cargo) (PY: 84% and 16%). OLL provides end-to-end supply chain services including inbound/ outbound logistics through surface, sea, express, train, and air cargo services. The company bundles its value-added products with its freight services to provide a complete package of service to its client. Other than the transportation services, the company also provides value-added services such as warehousing, inventory control, packing, just-in-time delivery, kitting, binning, labelling, and pre-delivery inspection among others. Such service offerings providing a complete supply-chain service package help the company earn superior operating profit margins compared to standalone operations of other players in the market. The acquisition of Sanjvik Terminals Private Limited in August 2024 is expected to enhance the company's connectivity to major industrial zones in the northern region of the country, providing seamless access to key seaports. This strategic move is likely to strengthen the company's logistics network, improve operational efficiencies, and support its long-term growth objectives.

OLL is present across the value chain of logistics services through its group companies and is able to provide its customers a single-window logistics solution. Considering the business synergies, OLL has an advantage over other logistics service providers which are providing only few services.

Pan-India presence and adequate infrastructure
OLL is an ISO 9001:2008 and 14001:2004 certified company. It caters a widely distributed Indian market through its 569 locations (branches: 387, pickup and delivery agents: 182) and over 1,500 delivery locations across the country. The company has a fleet size of ~895-owned vehicles as on September 30, 2024; Presently, the company (including subsidiary company) owns warehousing space of ~114.77 lsf. OLL's complete fleet is GPS enabled and has deployed adequate technology infrastructure through inhouse software, which enables it and its customers to track the real time of their consignments.

Established and diversified customer portfolio
OLL has established long-term relationships with several reputed customers across diverse industries, including leading multinational and domestic companies. With many of these clients associated with the company for over 10-15 years, OLL benefits from repeat orders, ensuring revenue visibility and driving future business growth. The company maintains a diversified customer portfolio, having serviced over 10,000 customers in FY24 and 6MFY25. In FY24, the top five customers contributed 18.17% of the total income, reflecting a well-spread revenue base. The company derives ~55%-60% of its total revenue from the auto sector, followed by electronics, telecom, pharmaceuticals, white goods, and other industries. OLL secures freight contracts with most customers, typically for a duration of one year.

Key weaknesses

Competitive and fragmented freight logistics industry
The road freight transport industry in India is highly fragmented, with ~80-85% sector comprising small transport operators. This unorganised nature results in intense price competition, which can exert pressure on profitability, especially in adverse market conditions. However, companies that offer superior service quality, have a strong presence across multiple locations, and cater diverse industries are better positioned to gain a competitive edge. Such players can secure long-term contracts and attract more business. OLL's strategic expansion in end-to-end logistics solutions is expected to enhance its ability to scale operations and diversify its clientele base.

Vulnerability of profitability to trade cycle, competition and regulations
Logistics operations depend on the overall economic condition of the country. Higher economic activity translates to higher freight movement, which drives demand for road freight transport industry. The industry is affected by factors such as macroeconomic growth, inflation, and state of infrastructure. These factors impact the industry's demand and cost structure. The company by its presence in the goods and passenger transport industry, is exposed to high regulatory risks (licenses and taxation). Restriction on older (commercial diesel) vehicles in a few cities and the proposed scrappage policy, which may impact the industry, have resulted in replacement capex requirement.

Woking capital intensive operations

The company's operations are working capital intensive as OLL derives majority revenue from corporate clients, which leads to limited bargaining power, resulting longer collection period of ~60-90 days from the delivery of consignment. The company provides logistics and transportation services across the country, leading to longer delivery time, which also adds up to the company's receivable cycle. Whereas, considering the creditor, OLL makes majority payments (~75%) to its vendors in advance for fuel requirements. However, OLL has been managing majority working capital requirements efficiently through internal accruals and sanctioned working capital limit of ₹147 crore, with average maximum utilisation level of ~42.80% for 12-months ending December 31, 2024.

Liquidity: Strong

OLL's liquidity profile remains strong, supported by low debt repayment obligations, low working capital utilisation, healthy cash accrual generation, and adequate cash and bank balances. The company's liquidity position is reinforced by generation of healthy gross cash accruals (GCA) which are expected to be in the range of ₹260-300 crore for the next two years, against these OLL has minimal debt repayment obligation of ~₹17-23 crore, which will be comfortable met of these accruals. As on September 30, 2024, OLL had an unencumbered cash and bank balance of ₹29.92 crore in the form of fixed deposits. The company has working capital limits of ₹147 crore, with an average utilisation of 23.35% in the last 12 months ending December 31, 2024.

Applicable criteria

Consolidation
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

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Road transport

OLL was incorporated in October 1999. Prior to the incorporation of OLL, the group was providing logistics services through a sole proprietorship firm (Om Auto Carriers) since 1990. OLL is a third-party logistics (3PL) service provider and provides services through a multi-modal (road, rail and air) mechanism. The company derived ~84% revenue from 3PL segment, whereas 16% from full truck load (FTL, plain transportation business) in FY24. It caters a widely distributed Indian market through its 569 locations (branches: 387, pickup and delivery agents: 182) with real-time online connectivity.
In August 2024, the company did 100% acquisition of Sanjvik Terminals Private Limited which operates an ICD port in Bawal, Haryana.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,809.58	1,981.54	1,009.74
PBILDT	298.60	289.54	115.67
PAT	188.74	189.07	63.07
Overall gearing (times)	0.11	0.10	0.15
Interest coverage (times)	24.87	22.20	17.85

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

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-Cash Credit		-	-	-	174.00	CARE AA-; Stable
Fund-based - LT-Term Loan		-	-	28-07-2029	44.16	CARE AA-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	6.00	CARE A1+

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-Cash Credit	LT	174.00	CARE AA-; Stable	-	1)CARE AA-; Stable (19-Mar-24) 2)CARE AA-; Stable (04-Apr-23)	-	1)CARE AA-; Stable (01-Mar-22) 2)CARE AA-; Stable (31-Aug-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (19-Mar-24) 2)CARE AA-; Stable (04-Apr-23)	-	1)CARE AA-; Stable (01-Mar-22) 2)CARE AA-; Stable (31-Aug-21)
3	Non-fund-based - ST-Bank Guarantee	ST	6.00	CARE A1+	-	1)CARE A1+ (19-Mar-24) 2)CARE A1+ (04-Apr-23)	-	1)CARE A1+ (01-Mar-22) 2)CARE A1+ (31-Aug-21)
4	Fund-based - LT-Term Loan	LT	44.16	CARE AA-; Stable				

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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.	Om Telecom Logistics Private Ltd	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
2.	Dial Logistics Private Ltd (Formerly known as Z&H Engineering & Tools Private Limited)	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
3.	Z. K. Engineering Private Ltd	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
4.	Om Logistics Nepal Private Ltd	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
5.	Transafe Services Limited	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
6.	BARS Logistics Private Limited (Step down subsidiary)	Full	Wholly owned subsidiary- Operational, financial and managerial linkages
7.	OMRS Logistics Private Limited	Full	Operational, financial and managerial linkages
8.	Sanjvik Terminals Private limited	Full	Wholly owned subsidiary- Operational, financial and managerial linkages

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.

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About us:

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