Pranik Logistics Limited

April 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	28.80	CARE BB+; Stable	Assigned
Long-term / Short-term bank facilities	1.20	CARE BB+; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Pranik Logistics Limited (PLL) factor in small despite growing scale of operations, highly competitive nature of transportation and logistics business, profitability margins vulnerable to economic cycles and competition and working capital intensive operations. However, these weaknesses are partially offset by promoters' extensive industry experience, reputed customer base despite high customer concentration risk and comfortable capital structure and debt coverage indicators considering successful subscription of the initial public offer (IPO).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations as marked by total operating income (TOI) above ₹120 crore while maintaining operating profitability margins of over 10% on a sustained basis.
- Diversification of clientele leading to substantial reduction in client concentration risk.

Negative factors

- Inability of the company to scale up the operations with TOI below ₹60 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margins below 5% on an ongoing basis.
- Elongation of its operating cycle to over 90 days leading to high reliance on working capital borrowings.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects the company to benefit from promoters' extensive experience in the same line of business with an increase in scale of operations, on the back of orders from reputed clientele, and comfortable financial risk profile.

Detailed description of key rating drivers:

Key weaknesses

Small though growing scale of operations

PLL's scale of operations remained small, though continued to grow in last five years ended FY24 considering long-term association with its existing clients and building-of new clientele across the business segments (transportation, warehousing, and C&F). In FY24, PLL's TOI stood at ₹66.94 crore against ₹60.54 crore in FY23. The small scale of operations restricts the financial ability of the company in times of distress.

In H1FY25 (UA), PLL has booked revenues of ₹46.42 crore.

PBILDT margin improved to 12.96% in FY24 against 5.15% in FY23 owing to better absorption of fixed overheads with scaling-up of operations. In line with increase in PBILDT margins, profit after tax (PAT) margin also improved and stood at 6.07% in FY24 against 1.54% in FY23. In H1FY25, PBILDT and PAT margins stood at 11.25% and 6.09%, respectively.

Going forward, the company's ability to secure repeat orders from existing clients and add new customers amidst high competition while maintaining stable profitability margins remains a key rating monitorable.

Highly competitive nature of transportation and logistics business

PLL's transport business faces intense competition due to the presence of numerous players with limited fleet sizes in both organised and unorganised sectors. Similarly, the warehousing market is highly fragmented, with most warehouses being small, unmechanised, and operated by unorganised players. This fragmentation leads to lower bargaining power for small operators, higher storage and handling losses, and inefficient resource utilisation.

Vulnerability of profitability margins to economic cycles and competition

Logistics operations depend on overall economic conditions of the country. Higher economic activity translates into higher freight movements, driving demand for the road freight transport industry. PLL is exposed to significant fluctuations in hire charges for

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

market vehicles, as rates primarily depend on demand-supply dynamics. The company is vulnerable to fuel price volatility, and its ability to tackle the timely pass-through of varying fuel prices is critical in maintaining its profitability margins.

Working capital-intensive operations
The company's operations are working capital intensive on the back of a negligible credit period being extended by creditors and a higher credit period offered to clients. PLL derives majority revenues from corporate clients, thus leading to low bargaining power. The company provides a credit period of ~60-90 days from the delivery of consignment after which the sale is booked. In addition to this, the company's business is working capital intensive considering upfront expenses such as fuel expense incurred in conducting operations through own fleet of vehicles and hired vehicles. The time gap in collection of receivables and upfront outflow of expenses results in large working capital requirement. The working cycle of the company has elongated from 39 days in FY23 to 77 days in FY24 due to moderation in collection period from 52 days to 82 days against similar creditor days at five days (PY: 13 days). The working capital cycle is expected to remain at similar levels in near-to-medium term.

Key strengths
Extensive experience of promoters in the industry
PLL is promoted by Pranav Kumar Sonthalia, who is the Managing Director of the entity having a decade of experience in the logistics and transportation industries. He is well supported by Shradha Kumari, who has experience of almost five years in the logistics industry. The promoter is backed by a dedicated and experienced management team who oversee operations, quality management, and customer delivery, with expertise and vision of expanding the business.

Reputed customer base despite high customer concentration risk
The company's top five customers contributed to ~84% of its TOI for FY24. This indicates a highly concentrated customer base, which can pose risks such as revenue volatility if major customers reduce their orders or terminate the contracts. It also means the company might face pressure to offer better terms to these key clients, potentially impacting profitability.
Going forward, diversifying the customer base could help mitigate these risks and enhance financial stability.

Comfortable capital structure and debt coverage indicators and successful subscription of IPO
PLL's capital structure stood comfortable in FY24 marked by debt-to-equity ratio of 0.44x as on March 31, 2024 (PY: 0.68x) and overall gearing of 1.56x as on March 31, 2024 (PY: 1.88x). PLL's net worth base has further improved in FY25 considering successful subscription of its IPO on NSE's SME platform.
Debt service coverage indicators also stood comfortable as indicated by PBILDT interest coverage of 4.80x in FY24 (3.69x in FY23) owing to improved profitability. Total debt to gross cash accruals (TD/GCA) also stood improved to 2.95x in FY24 (6.20 years in FY23) with improvement in cash accruals.
Going forward, PLL's capital structure and debt coverage indicators are envisaged to improve with building-up of net worth base owing to accretion of profits.

Liquidity: Stretched
Liquidity position of the company is expected to remain stretched considering high working capital utilisation at 99% for past 12 months ending December 2024. In FY24, the company reported GCA of ₹6 crore against long-term debt repayment obligations of ₹3.13 crore. The company is expected to generate sufficient cash accruals against debt repayment obligations of ₹3 crore in FY25. PLL also had free cash and bank of ₹7 crore as on September 30, 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

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

Incorporated in 2015, PLL is promoted by Pranav Kumar Sonthalia, and is engaged in providing end-to-end integrated logistic solutions and services to its customers, including transportation, distribution, warehousing inventory management, and product handling services for reputed customers operating in allied industries, such as food industry, medical & cosmetics, FMCG, petroleum, and kitchenware among others. PLL has 46 warehouses taken on lease in different states across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	60.54	66.94	46.42
PBILDT	3.12	8.68	5.22
PAT	0.93	4.07	2.83
Overall gearing (times)	1.88	1.56	1.41
Interest coverage (times)	3.69	4.80	6.77

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		-	-	-	28.80	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.20	CARE BB+; Stable / CARE A4

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	28.80	CARE BB+; Stable				
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.20	CARE BB+; Stable / CARE A4				

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

Annexure-3: Detailed explanation of covenants of rated instrument/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	Non-fund-based - LT/ ST-Bank Guarantee	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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