Safewater Lines India Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	80.00 (Enhanced from 70.00)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Safewater Lines India Private Limited (SLIPL) continues to derive strength from experienced promoters in logistic industry, long track record of operations with diversified presence across states in India and experience of export to different geographical destinations, established association with reputed and diversified clientele, comfortable capital structure, debt coverage indicators and adequate liquidity position.

However, the rating continues to be constrained by its moderate and fluctuating scale of operations, moderate profit margins and elongated working capital cycle. The rating further continues to be tempered by presence in competitive and fragmented industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant volume driven growth in Total Operating Income (TOI) and improvement in PBILDT margin above 5% on a sustained basis.

Negative factors

- Decrease in scale of operations with TOI reach below Rs.500 crore on a sustained basis
- Elongation in operating cycle above 60 days on a sustained basis
- Deterioration in capital expenditure above unity and interest coverage ratio reaching below 5x and total debt/GCA exceeding 4x on a sustained basis.

Analytical approach: Consolidated

CARE has taken a consolidated view of SLIPL, and its USA based joint venture entity namely Smartmode International Logistics LLC (SMIL) which is also engaged in providing services of in cargo handling and end to end logistics. It handles all US based shipments of SLIPL. Until March 31, 2023, SMIL was a 50:50 joint venture between SLIPL and Mr. Ravi S. Further, SLIPL is acquiring 100% stake in SMIL, for which RBI approval is pending. SLIPL and SMIL are together referred as a "Group". The list of entity consolidated is given in Annexure-6.

Outlook: Stable

Stable outlook reflects expectation of CARE Ratings Limited (CARE Ratings) that company continues to benefit from its experienced management and, growing its scale of operations by maintaining its working capital cycle and sustaining its healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoter in freight forwarding and custom clearance business:

SLIPL was incorporated by Mr. Anilkumar Malik, Director who has more than two decades of experience in freight forwarding and custom clearance business and currently he handles overall business operations and takes strategic decisions. He is further supported by Mr. Arun Hegde, director who has more than two decades of experience in the logistics industry and looks after sales and operation. Mr. Ashish Deobansi, Chief strategy officer looks after strategy and execution and Mr. Mahesh Dhuri, looks after finance function.

Over the years the company has benefitted from promoter's experience in maintaining relations with customers and shipping agencies thus enabling smooth operations. Further all directors are supported by experienced team of management in the field of operation, sales, accounts and finance.

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

Strong presence in various states of India and association with reputed clientele and shipping companies:
Group is continuously expanding its presence in Indian market with 15 branches (increased from 14 branches) in Ahmedabad, Gandhidham, Delhi, Baroda, Bangalore, Panipat, Jaipur, Udaipur, Kanpur, Hyderabad, Tuticorin, Kolkata, Chennai and Nagpur and one in USA. The group is also entering into African continent with opening of office in Kenya which will be fully operational by May 2025. Group's services mainly include shipment of dry cargo such as textile, steel products, chemicals, home furnishing etc. to USA, which constitutes ~70% of total cargo and ~30% of total cargo to rest of the European and African countries by waterways for which the company has tie up with well-known shipping companies. Group also has reputed clientele, and its customer base remains diverse indicated by top 5 customers constitutes around 20% in FY24 of the total revenue vis-à-vis 17% in FY23. The group's acquisition of SMIL and impending merger with other South India based companies will enhance its US market foothold, offering access to air freight, Dubai operations, and custom broking. This strategic move will also facilitate expansion into Southern India. However, the ability to derive envisaged benefits remains a key rating monitorable.

Comfortable capital structure and moderate debt coverage indicators
Groups capital structure continued to remain comfortable, however moderated as marked by overall gearing moderated to 0.49x as on March 31, 2024, as compared to 0.25x as on March 31, 2023 due to increase in total debt on account of higher utilisation of working capital limits along with reduction in the tangible networth base led by demerger conducted during the year. The overall gearing expected to slightly increase in FY25 due to increased utilization of working capital limits during 9MFY25. Nevertheless, the same expected to remain comfortable in the near to medium terms.
Debt coverage indicators of the group also moderated with total debt to GCA reached at 2.45x in FY24 as against 0.80x in FY23 and interest coverage ratio remained moderated at 8.96x in FY24 compared to 29.74x in FY23 due to reduction in the PBILDT and GCA levels led by reduction in the TOI along with increase in the debt levels thereby interest cost. Nevertheless, the debt coverage indicators continue to remain comfortable.
On a standalone level, the overall gearing also moderated to 0.48x as on March 31, 2024, as compared to 0.25x as on March 31, 2023. The total debt to GCA and interest coverage stood at 2.47 and 7.07 respectively in FY24 (as against 0.78 and 22.41 respectively in FY23).

Key weaknesses

Moderate and fluctuating scale of operations:
The overall scale of the group is linked to freight rates which remained highly volatile during past. The average freight rates declined to 2000 USD/container in FY24 from 4000 USD/container in FY23. Hence, TOI of the group significantly declined at Rs.550.73 crore in FY24 compared to Rs.1169.98 crore in FY23. However, volume shipped by group has increased to 39,712 Twenty Feet Equivalent Units (TEUs) in FY24 as compared to 34,808 TEUs in FY23 due to improved demand from the existing as well as new customers onboarded on the back of improving operating efficiency of the group.
At standalone level, SLIPL has achieved TOI of Rs. 579.25 crore in FY24 vis-à-vis Rs. 1152.13 crore in FY23. Further, on account of continuous onboarding of new customers along with stable demand from existing ones and recovery in the freight rates in 7MFY25 total volume shipped increased to 27,742 TEUs led to TOI of SLIPL increased to Rs.613.28 crore.

Moderate Profit Margin:
As the group operates in the highly competitive industry with presence of numerous small to large sized players, operating margins continued to remain moderate. During FY24, PBILDT margin of the group slightly improved to 4.15% in FY24 compared to 3.56% in FY23. PAT margin also improved at 3.04% in FY24 compared to 2.59% in FY23 in line with improvement in PBILDT margin. The profit margins are expected to remain at the similar levels on the back of stable operational performance during 7MFY25.
At standalone level PBILDT margin of SLIPL remained at 3.55% in FY24 compared to 3.39% in FY23 and PAT margin of 2.89% in FY24 compared to 2.62% in FY23. The PBILDT and PAT margins of SLIPL stood at 3.49% and 2.13% during 7MFY25.

Elongated working capital cycle:
Groups working cycle has elongated to 44 days in FY24 from to 11 days in FY23. As the management has shifted to a higher credit periods policy of around 45-90 days to attract and onboard new customers which has led to increase in collection period to 86 days in FY24 against 51 days in FY23 which is partially offset by one and half month of credit period from suppliers leading to average creditors period of 42 days in FY24 compared to 39 days in FY23. The same has led to higher utilization of working capital limits.
At standalone level, working capital cycle also elongated to 41 days in FY24 as against 13 days in FY23.

Presence in competitive and fragmented logistics industry:
The industry is highly unorganized, and the company faces intense competition from both the organized as well as unorganized players in the freight forwarding and custom clearance business which has been affecting company's profit margins.

Liquidity: Adequate

The liquidity position remained adequate characterized by sufficient cushion in gross accruals vis-à-vis minimal repayment obligations of vehicle loans of Rs.0.22 crore in FY25 and Rs.0.23 crore in FY26. The free cash & bank balance stood at Rs.14.36 crore as on March 31, 2024 (vis-à-vis Rs. 12.68 crore as on March 31, 2023). Further there is no capex requirement in the near future. Average utilization of fund based working capital limits remained at 72.32% with average of maximum utilization remained at 74.87% in the for last 12 months ending December 2024. Further, the current ratio moderated to 1.53x as on March 31, 2024 vis-à-vis 1.83x as on March 31, 2023. Cash flow from operating activities stood negative at 7.62 crore in FY24 (vis-à-vis negative Rs.4.39 crore in FY23) due to increase in the receivables.

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

Safewater Lines India Private Limited (SLIPL) was incorporated in 2005 as a private limited company by Mr. Anilkumar Malik who has more than two decades of experience in logistics business. SLIPL is in the business of providing end to end logistic services in USA, Europe and African countries by waterways. The company has its registered and corporate office situated in Mumbai.

Consolidated Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	1,169.98	550.73	713.00
PBILDT	41.64	22.85	NA
PAT	30.25	16.72	NA
Overall gearing (times)	0.25	0.49	NA
Interest coverage (times)	29.74	8.96	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Standalone Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	October 31, 2024 (UA)
Total operating income	1152.13	579.25	617.33
PBILDT	39.00	20.58	21.54
PAT	30.24	16.72	13.17
Overall gearing (times)	0.25	0.48	0.64
Interest coverage (times)	22.41	7.07	9.21

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

Status of non-cooperation with previous CRA: CRISIL has reviewed the ratings assigned to the bank facilities of SLIPL under Issuer Not Cooperating category due to non-submission of requisite information, vide its press release dated January 22, 2025.

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		-	-	-	80.00	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 - LT-Cash Credit	LT	80.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Apr-24)	-	1)CARE BBB; Positive (17-Mar-23) 2)CARE BBB-; Stable (05-Apr-22)	1)CARE BBB-; Stable (07-Apr-21)

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

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	Smartmode International Logistics LLC	Proportionate	Joint Venture

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:
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.

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