

## Express Handlings Worldwide

March 22, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.00	<b>CARE B+; Stable (Single B Plus; Outlook: Stable )</b>	Reaffirmed
<b>Total Bank Facilities</b>	<b>5.00 (Rs. Five Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Express Handling Worldwide (EHWW) continues to be constrained by modest scale of operations coupled with low profitability margins, leveraged capital structure with weak debt coverage indicators in FY21(Audited, refers to period April 01 to March 31). The rating also factors the firm's working capital-intensive nature of operations, concentrated customer base, partnership constitution, presence in a competitive and fragmented logistics industry with stretched liquidity.

The rating, however, to derive its strengths from reasonable track record of operations and reasonably experienced partners in the logistics industry.

### Rating Sensitivities

#### Positive Factors

- Increase in scale of operations with total operating income exceeding Rs.75 crore with tangible networth base exceeding Rs.10 crore on a sustained basis.
- Improvement in the PBILDT and PAT margin exceeding 5% and 3% respectively on a sustained basis.
- Improvement in the capital structure with overall gearing reaching below 1.2x on a sustained basis
- Improvement in the debt coverage indicators with interest coverage exceeding 2 times and total debt to gross cash accruals reaching below 10 times on a sustained basis

#### Negative Factors

- Further increase in working capital intensity of business operation marked by operating cycle exceeding 75 days on a sustained basis
- Any cash flow mismatch from operation putting pressure on liquidity

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### **Modest scale of operations with low profitability**

The scale of operation of EHWW decreased during FY21 marked by decrease in total operating income by 21% over FY20 (from Rs.45.92 crore in FY19 to Rs. 36.41 crore in FY20) due to non-operations of international flights due to COVID-19 pandemic situation. Further, in Q1FY21 the businesses of various customers of EHWW remained closed affects the performance of EHWW. However, during 11MFY22(Provisional), EHWW has achieved turnover of Rs.78.76 crore.

The operating profitability of the firm continued to remain low and ranged from 1.79% - 2.82% during last three years ending FY21 mainly on account of high portion of total operating income being paid as the freight charges. However, PAT margin declined on account of comparatively higher interest costs on the back two covid-19 loans availed during the year and stood at 0.38% in FY21 compared to 0.54% in FY20. Resultantly, gross cash accruals also remained low at Rs.0.20 crore in FY21 against Rs.0.32 crore in FY20.

##### **Leveraged capital structure and weak debt coverage indicators**

EHWW capital structure stood leveraged during past three balance sheet dates on account of moderately higher reliance on external debt to fund its business operations. Capital structure improved marginally on back of increase in networth base due to profit accretion and remained leverage marked by an overall gearing of 2.49 times as on March 31, 2021 compared to 2.73 times as one March 31, 2020. Further, as a result of increase in overall debt level and its resultant increase in finance charges, Debt coverage indicators deteriorated and remained weak marked by interest coverage of 1.21x during FY21(P.Y. - 1.32x) and Total debt to GCA of 29.53 years as on March 31, 2021 vis-à-vis 18.63 years as on March 31, 2020.

##### **Working capital intensive nature of operations**

The operations of EHWW are working capital intensive with funds being blocked in receivables. EHWW receivables periods tends to remain high, due to inherent nature of business and firm generally receive payment from courier companies within 60-90 days as marked by the average collection period of 104 days in FY21 (as against 79 days in FY20) which has elongated due to slower realization of debtors due to COVID-19 impact. Furthermore, EHWW has to make payments to airline companies every 15 days which resulted in average creditors' period of 40 days in FY21 (vis-a-vis 32 days in FY19). Given this, the operating cycle has elongated marginally and stood moderate at 64 days in FY21 compared to 46 days in FY20.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE publications

### **Concentrated customer base**

EHWW has a concentrated customer base with top five customers contributing to around 78% share in the total sales during FY21 vis-à-vis 94.00% in FY20. Despite a dip in contribution to the total revenue; customer concentration risk still continues to be a disadvantage as a single customer concentration remained high at 48% in FY21(P.Y.: 64%).

### **Risk of withdrawal of capital given the partnership nature of constitution of the entity**

EHWW being a partnership firm, the risks associated with withdrawal of capital exists. The firm is exposed to inherent risk of capital being withdrawn at time of personal contingency as also it has limited ability to raise capital and poor succession planning may result in dissolution of entity. During the year the partners have withdrawn Rs.0.17 crore from the capital account during FY21. Due to the partnership constitution, it has restricted access to external borrowing where net worth as well as credit worthiness of partners is the key factors affecting credit decision of lenders.

### **Presence in competitive and fragmented logistics industry**

The industry is highly unorganized and the firm faces intense competition from both the organized as well as unorganized players in the air cargo handling business. The firm also has low bargaining power with the airlines. Fuel is the major cost component of the transportation business and any significant increase in petrol/diesel cost is passed on to the client. Furthermore, EHWW faces fierce competition from other companies for tendering of contracts and any changes in current policies of the airport authorities with regards to change in budget allocation would impact EHWW revenue considerably.

### **Key Rating Strengths**

#### **Reasonable track record of operations and reasonably experienced partners in the logistics industry**

EHWW was established in the year 2010 by Mr. Harbinder Singh who is currently managing the firm and has a total experience of 30 years out of which 10 years is in logistics industry. Over the years of his presence, the firm has established strong presence in the market with long term relations with their customers and stakeholders.

### **Liquidity analysis - Stretched**

The liquidity position remained stretched characterized by tightly matched accruals vis-à-vis repayment obligations and low free cash balance of Rs.0.02 crore as on March 31, 2021. The average utilization of its working capital limits during past 12 months ended January 2022 stood at ~77%. Further, net cash flow from operating activities stood low at Rs.0.89 crore in FY21 (vis-à-vis positive at Rs.0.23 crore in FY20).

**Analytical approach:** Standalone

### **Applicable criteria:**

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Service sector companies](#)

[Financial Ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### **About the Firm**

Express Handlings World Wide (EHWW) is a The International Air Transport Association (IATA) accredited entity established in 2010 as a partnership firm by Mr. Harbinder Singh. The firm is engaged in providing courier consolidation services (Courier Co-loading) by airways and freight forwarding services (cargo export & logistics). EHWW registered office located at Andheri, Mumbai and two branch offices located at Delhi & Ahmedabad.

<b>Brief Financials (Rs. crore)</b>	<b>FY20 (A)</b>	<b>FY21 (A)</b>	<b>11MFY22 (Prov.)</b>
Total operating income	45.83	36.41	78.76
PBILDT	0.94	1.03	NA
PAT	0.25	0.14	NA
Overall gearing (times)	2.73	2.49	NA
Interest coverage (times)	1.32	1.21	NA

A: Audited; Prov.: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument/facility:** Please refer Annexure 3

**Complexity level of various instruments rated for this Firm:** Please refer Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.25	CARE B+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	0.75	CARE B+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	4.25	CARE B+; Stable	-	1)CARE B+; Stable (04-Jan-21)	1)CARE BB-; Stable (30-Oct-19)	1)CARE BB-; Stable (15-Jan-19) 2)CARE BB-; Stable (04-Apr-18)
2	Non-fund-based - LT-Bank Guarantee	LT	0.75	CARE B+; Stable	-	1)CARE B+; Stable (04-Jan-21)	1)CARE BB-; Stable (30-Oct-19)	1)CARE BB-; Stable (15-Jan-19)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this Firm**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple

**Annexure 5: Bank Lender Details for this firm**

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

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

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