

ABC India Limited

March 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	18.89 (reduced from 23.85)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	7.00	CARE A3 (A Three)	Reaffirmed
Total	25.89 (Rupees twenty five crore and eighty nine lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of ABC India Limited continue to derive strength from the long experience of the promoters in logistics business, diversified portfolio of services with reputed client base and comfortable capital structure. The ratings also take into account the weak financial performance in FY16 (refers to the period April 1, to March 31) & 9MFY17.

The rating continues to be constrained by low profit margin marked by intense competition, susceptibility of profits to volatility in fuel prices and working capital intensive nature of operations marked by high collection period.

The ability of the company to increase in scale of operations, improve operating margin and efficient management of working capital funds remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: ABC was initially a part of TCI-Bhoruka group, promoted by Late Shri P. D. Agarwal. Shri Ashish Agarwal (Managing Director) looks after the day-to-day affairs of the company along with support from professional management team and guidance of Shri Anand Kumar Agarwal (Chairman). Shri Anand Kumar Agarwal has over three decades of experience while Shri Ashish Agarwal has over a decade of experience in transport business.

Well diversified portfolio of services: ABC is engaged in multi modal logistics business and provides a wide range of services including transportation services, third party logistics, shipping, custom house clearing agent, C&F agent, warehousing, etc. WCIL operations are spread across the country through 47 branch offices and 7 warehouses. As on Dec 31, 2016, ABC has owned fleet of 243 vehicles (including 59 trucks & trailers, 172 multi-axle hydraulic trailers, 11 heavy duty prime movers and 1 barge).

Reputed client base: ABC has a well-diversified and reputed client base. The company had an order book position of Rs.49.74 crore as on Dec 31, 2016 as against Rs.40.45 crore as on Jan 10, 2016.

Comfortable capital structure: ABC's overall gearing ratio improved from 0.90x as on Mar 31, 2015 to 0.76x as on Mar 31, 2016 mainly due to lower bank borrowings. The reduction in bank borrowing is due to the conscious decision of the management to reduce the debt by selling of non-core assets. Overall gearing deteriorated to 1.05x as on Dec 31, 2016 mainly due to depletion of net worth on the back of significant loss incurred in 9MFY17. However, total debt has gone down from Rs.33.0 crore as on Mar 31, 2016 to Rs.31.86 crore as on Dec 31, 2016 due to repayment of term loan.

Key Rating Weaknesses

Weak financial performance in FY16 & 9MFY17: ABC's operating income declined by 13.15% y-o-y to Rs.85.40 crore in FY16. The company reported an operating loss of Rs.1.27 crore in FY16. In 9MFY17, the company reported PBILDT of Rs.0.92 crore on operating income of Rs.56.66 crore. Weak operating performance coupled with significant amount of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

one-time provisioning for bad debts of Rs.10.87 crore led to significant increase in loss at Rs.13.21 crore. The debt obligations were serviced with support from sale of non-core assets.

Low profitability margin due to intense competition: The profitability margin in the transportation and project segment is low due to intense competition from both organised as well as unorganised players.

Profitability susceptible to volatility in fuel price: The profitability of ABC is susceptible to volatility in fuel price as the company generally enters into a fixed price contract for its project & construction division. For the transportation segment, the orders are short-term in nature and hence the risk attached to volatility gets mitigated to an extent.

Working capital intensity with high collection period: ABC's business is working capital intensive on account of expenses incurred upfront for executing orders whereas the company realizes the money in around 90-120 days from its customers.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology – Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

ABC India Ltd (ABC) was promoted by Late Mr. P. D. Agarwal in 1972. The company has three business segments - surface transportation, project division and construction segment. The surface transportation provides the multi modal logistics services (road, rail, river, custom, storage and warehousing) and Over Dimensional Cargo services through a network of 47 branches and seven warehouses (with storage area of 86,272 square feet) across the country. The project division is mainly engaged in erection in cooling towers. The construction segment is engaged in civil construction activities. The company is also engaged in record management services and operates one petrol pump.

As per the audited results for FY16, ABC reported a net loss of Rs.2.37 crore on a total operating income of Rs.85.40 crore as against a PAT of Rs.0.13 crore on a total operating income of Rs.98.32 crore in FY15. Based on provisional results for 9MFY17, ABC reported total operating income of Rs.56.66 crore and net loss of Rs.13.21 crore after considering the impact of provisioning of Rs.10.87 crore as provision for doubtful debts.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2024	5.59	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	13.30	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	7.00	CARE A3

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	5.59	CARE BBB-; Stable	-	1)CARE BBB- (03-Mar-16)	1)CARE BBB (03-Apr-15)	-
2.	Fund-based - LT-Cash Credit	LT	13.30	CARE BBB-; Stable	-	1)CARE BBB- (03-Mar-16)	1)CARE BBB (03-Apr-15)	1)CARE BBB (07-Mar-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A3	-	1)CARE A3 (03-Mar-16)	1)CARE A3 (03-Apr-15)	1)CARE A3 (07-Mar-14)

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