

ABC India Limited

October 9, 2017

Ratings

Facilities [@]	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	16.39 (reduced from Rs.18.89 cr)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short-term Bank Facilities	7.00	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Total	23.39 (Rupees Twenty three crore and thirty nine lakh only)		

[@] Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of ABC India Limited is on account of deterioration in financial risk profile due to significant loss incurred in FY17 (refers to the period April 1, to March 31) & Q1FY18. The ratings continue 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 rating continues to derive strength from the long experience of the promoters in logistics business, diversified portfolio of services with reputed client base. The ability of the company to increase its scale of operations, improve operating margin and efficient management of working capital requirement remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Shri Ashish Agarwal (Managing Director) looks after the day-to-day affairs of the company along with support from professional management team. Shri Ashish Agarwal has an experience of over a decade in logistics 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.

Reputed client base: ABC has a well-diversified and reputed client base. Moreover, the company has been able to secure repeat orders from majority of its clients.

Key Rating Weaknesses

Weak financial performance in FY17 & Q1FY18: ABC's operating income declined by 11.36% y-o-y to Rs.75.57 crore in FY17 mainly due to decline in revenue in bulk transportation segment. The company reported operating loss of Rs.0.52 crore in FY17 as against Rs.0.03 crore in FY16 on account of loss incurred in construction & project division and lower recovery of fixed overheads in bulk transportation segment. Weak operating performance coupled with significant amount of one-time provisioning for bad debts of Rs.11.79 crore led to significant increase in net loss from Rs.2.77 crore in FY16 to Rs.16.52 crore in FY17.

Deterioration in financial risk profile: While the total debt of the company remained at stable level, overall gearing ratio deteriorated from 0.76x as on Mar 31, 2016 to 1.23x as on Mar 31, 2017 and 1.38x as on June 30, 2017 mainly due to significant loss incurred by the company in FY17 & Q1FY18.

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

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 on upfront in conducting operations whereas the company provides credit period of around 90-120 days to its customers.

Analytical approach: While assigning the ratings, CARE has considered the standalone financials of ABC India Ltd.

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 in industrial belts. The company is also engaged in record management services and operates one petrol pump.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	85.26	75.57
PBILDT	-0.03	-0.52
PAT	-2.77	-16.52
Overall gearing (times)	0.76	1.23
Interest coverage (times)	NM	NM

A: Audited

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.

Analyst Contact:

Name: Utkarsh Nopany

Tel: #033-40181604

Mobile: #9836186474

Email: utkarsh.nopany@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit

Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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 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	5.09	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	11.30	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	7.00	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A4+	-	1)CARE A3 (17-Mar-17)	1)CARE A3 (03-Mar-16) 2)CARE A3 (03-Apr-15)	-
2.	Fund-based - LT-Cash Credit	LT	11.30	CARE BB+; Stable	-	1)CARE BBB-; Stable (17-Mar-17)	1)CARE BBB- (03-Mar-16) 2)CARE BBB (03-Apr-15)	-
3.	Fund-based - LT-Term Loan	LT	5.09	CARE BB+; Stable	-	1)CARE BBB-; Stable (17-Mar-17)	1)CARE BBB- (03-Mar-16) 2)CARE BBB (03-Apr-15)	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: anand.jha@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

L67190MH1993PLC071691