Jet Freight Logistics Limited
July 05, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	20.00	**CARE BB; Stable (Double B; Outlook: Stable)**	Assigned
Short-term Bank Facilities	2.00	**CARE A4 (A Four)**	Assigned
Total facilities	**22.00 (Rupees Twenty Two Crore Only)**		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jet Freight Logistics Limited (JFLL) are constrained by modest scale of operations with low and fluctuating profit margins, leveraged capital structure and weak debt coverage indicators, moderately working capital intensive nature of operations and presence in intensely competitive and fragmented logistic industry.

The ratings, however, draw strength from long track record of operations with experienced and qualified management and strong presence in various states of India and association with airline authorities.

The ability of the company to increase its overall scale of operations and improve profit margins and capital structure amidst intense competition and managing its working capital requirement efficiently are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operation with experienced and qualified management: JFLL has long track record of more than three decades of operations in logistics industry and company is managed by Theknath family, with managing director Mr. Richard Theknath, having around 15 years of experience in freight forwarding and handles the overall management and strategic decision making. He is further supported by other directors namely Mr. Dax Theknath (whole time director), Ms. Agnes Theknath (Non-executive director), Mr. Nikhil Arya (Non-executive and independent director) and Mr.Pankaj Gupta (Non Non-executive and independent director). The directors are further supported by experienced second line of management, Mr. Jabir Contractor (CFO), having around 24 years of experience in audit, finance and accounting and Ms. Shraddha Mehta (Company secretary and compliance officer) who is a law graduate and has reasonable experience in compliance matters.

Strong presence in various states of India and association with airline authorities: JFLL has registered office situated in Mumbai and has branches in Ahmedabad, Delhi, Kolkata, Trivandrum, Chennai, Hyderabad, Cochin, Calicut and Bangalore. JFLL is registered with International air transport association (IATA) and member of International Federation of Freight Forwarding Association (FIATA) and World Cargo Alliance (WCA).

Key Rating Weaknesses

Modest scale of operations coupled with thin and volatile profit margins: The overall size of operations of the company remained modest due to intense competition in the industry however it is growing over the past 4 years at a CAGR of 22% on account of more order execution and addition of new customers to the portfolio. Further, being a logistic service provider and to survive in the competitive scenario, operating margins of the business remained at low level in the range of 2.12% - 4.16% during last three years ending FY17. Despite long track record of operations, net worth base remained small thus limiting financial flexibility of the entity.

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

Leveraged capital structure and moderately weak debt coverage indicators: Company's capital structure and debt coverage indicators stood weak over the period of last four years ended FY17 on account of low net worth base and higher utilization of its working capital limit to support the growing scale of operations and term loan taken. However gearing level improved in FY17 on account of public issue of equity shares on premium and accretion of profits. Furthermore, owing to improved profitability debt coverage indicators have also improved during FY17 yet they remained at moderately weak level.

Moderately working capital intensive nature of operation: Operations of JFLL are moderately working capital intensive in nature mainly on account of funds being blocked in receivables and average debtor's period remained at 53 days during FY17. Further company receives only one month period from airline authorities therefore operations are dependent on working capital borrowings and remained moderately working capital intensive. Liquidity position remained slightly weak with near unity current ratio due to high creditors and bank borrowings to support the debtors' level.

Presence in intensely competitive and fragmented nature of logistics industry: The industry is highly unorganized and the company faces intense competition from both the organized as well as unorganized players in the air transportation business. The company also has low bargaining power with the airlines. Fuel is the major cost component of the transportation business and any significant increase in diesel cost is passed on to the client.

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

Established with the name Jet Airfreight as a proprietorship concern in 1986 by late Mr. Francis Theknath and later got converted in 2006 as private limited company named Jet Freight Logistics Private Limited which further changed its constitution to public limited company with the name Jet Freight Logistics Limited (JFLL) in July 2016. Currently JFLL is promoted by Mr. Richard Theknath who has around 15 years of experience in freight forwarding. The company is in the business of providing logistic services such as custom clearance and freight forwarding of shipment of perishable cargo (constitutes 90% of total sales), time sensitive cargo, hazardous cargo, ODC consignments, pharmaceutical cargo, temperature controlled and general cargo across the world by airways. Since the company does not hold custom house agent license, it uses the license of its group company namely Jet Clearing Forwarding & Shipping Agent where Mr. Richard Theknath and Mr. Dax Theknath are partners and has contract to use the license is perpetual by nature. JFLL is registered with International air transport association (IATA) and member of International Federation of Freight Forwarding Association (FIATA) and World Cargo Alliance (WCA). JFLL has registered office situated in Mumbai and also has branches in Ahmadabad, Delhi, Kolkata, Trivandrum, Chennai, Hyderabad, Cochin, Calicut and Bangalore.
During FY17, the total operating income of the company stood at Rs. 216.66 crore (vis-à-vis Rs. 206.58 crore in FY16), whereas the PAT during the same year stood at Rs. 3.07 crore (vis-à-vis Rs. 0.96 crore in FY16).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History (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: Mr. Nitin Jha
Tel: 022-67543676
Email: nitin.jha@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over nearly 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.

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	-	-	November 2024	5.00	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	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.	Fund-based - LT-Term Loan	LT	5.00	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4	-	-	-	-

CONTACT

Head Office Mumbai

Mr. Mehul Pandya
Cell: +91-98242 56265
E-mail: mehul.pandya@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
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

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@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

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

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

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

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

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

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

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