

Jet Freight Logistics Limited (Revised)

July 20, 2018
Rating

Facilities	Amount(Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	29.94	CARE BB+; Stable (Double B plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B, Outlook: Stable)
Short term Bank Facilities	5.00	CARE A4+ (A Four Plus)	Revised from CARE A4 (A Four)
Total Facilities	34.94 (Rs. Thirty four crore ninety four lakh only)		

Details of instruments/facilities in Annexure I
Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to Jet Freight Logistics Limited (JFLL) factors in the significant increase in scale of operations and cash accruals, improvement in profit margins, and capital structure and debt coverage indicators during FY18 (refers to the period April 1 to March 31).

Further, ratings continue to be constrained by modest scale of operations with moderate profit margins, moderately leveraged capital structure and weak debt coverage indicators, 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 Weaknesses

Modest scale of operations coupled with moderate profit margins: The overall size of operations of the company remained modest due to intense competition in the industry however it increased by ~30% in FY18 on account of more orders executed by the company and also addition of new customers to the portfolio. Further, being a logistic service provider and to survive in the competitive scenario, profit margins of the business remained at moderate level. Despite long track record of operations, net worth base remained small thus limiting financial flexibility of the entity.

Moderately leveraged capital structure and moderately weak debt coverage indicators: Company's capital structure and debt coverage indicators stood moderate over the period of last four years ended FY18 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 as on March 31, 2018 on account of issue of equity shares on premium and accretion of profits. Furthermore, owing to improved profitability debt coverage indicators have also improved during FY18.

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

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 high during FY18 however debtors are fully insured. 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 moderate with current ratio of 1.34x as on March 31, 2018 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.

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. Cypriano Savio Fernandes (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. Further recently, company has appointed Mr. Sunil Mehra as a CEO of domestic logistics department who has around 37 years of experience in logistics industry.

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, Bangalore, Mangalore, Goa and Tuticorin. JFLL is registered with International air transport association (IATA) and member of International Federation of Freight Forwarding Association (FIATA) and World Cargo Alliance (WCA).

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) and general cargo across the world by airways. The company uses the custom house agent license of its managing director Mr. Richard Theknath who has contracted 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, Bangalore, Mangalore, Goa and Tuticorin.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	193.95	252.44
PBILD	8.98	11.03
PAT	3.89	5.15
Overall gearing (times)	1.92	1.66
Interest coverage (times)	3.96	4.02

A: Audited

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.

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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.

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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	-	-	(May 2027)	7.94	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4+
Fund-based - LT-Working Capital Demand loan	-	-	-	2.00	CARE BB+; Stable
Fund-based - ST-Factoring/ Forfeiting	-	-	-	3.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	7.94	CARE BB+; Stable	-	1)CARE BB; Stable (05-Jul-17)	-	-
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BB+; Stable	-	1)CARE BB; Stable (05-Jul-17)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4+	-	1)CARE A4 (05-Jul-17)	-	-
4.	Fund-based - LT-Working Capital Demand loan	LT	2.00	CARE BB+; Stable	-	-	-	-
5.	Fund-based - ST-Factoring/ Forfeiting	ST	3.00	CARE A4+	-	-	-	-

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