

Patel Integrated Logistics Limited

February 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (Term Loan-proposed)	0.98	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities (Fund-based Limits)	52.35	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities (Non Fund-based Limits)	17.67	CARE A3+ (A Three Plus)	Reaffirmed
Total	71.00 (Rupees Seventy One crore only)		

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Patel Integrated Logistics Ltd (PILL) continue to derive strength from extensive experience of the promoter/management in the logistics industry, established market position of the company in the logistics industry, long-standing relationship with clients, pan-India presence with diversified end user industry profile and positive outlook on logistics industry driven by e-commerce sector.

These rating strengths are however, constrained by low profitability margins (an inherent characteristic of road transportation/airfreight consolidation business), working capital intensive nature of operations leading to moderate liquidity profile and competitive industry nature along with dependence on economic cycle.

The ability of the company to scale its operations while managing its incremental working- capital requirements and at the same time maintain its profitability margins in the scenario of stiff competition are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Extensive experience of the promoters: Founded by Mr Asgar S Patel in 1959, the group has more than 4 decades of experience in transportation industry. Mr Asgar S Patel, is the chairman of Patel Group, a diverse business house with interest in logistics, financial services and real estate businesses.

Wide spread logistical network: PILL offers road transportation services through its division Patel Roadways having PAN India network with more than 100 branch offices and 200 delivery station spread across the country

Reputed clientele and diversified end-user industry profile: The company has reputed clientele in diversified end-user industries such as manufacturing, FMCG, retail, e-commerce and express logistics. The courier consolidation business contributed around 61%, while road transportation business contributed around 34% to total revenue in FY16.

Stable operating performance during FY16 and H1FY17: PILL's total income registered a de-growth of 13% in FY16 as compared to FY15. The company had reduced its volume in the air cargo consolidation business with some of the lower margins customers. The PBILDT margin improved due to focus on more profitable customers along with comparatively better margin e-commerce business.

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

Key Rating Weaknesses

Working capital intensive operations leading to moderate liquidity: Due to the nature of the business, PILL has to rely on external borrowings to fund the working capital requirement. The excessive reliance on working capital is primarily on account of low debtor's turnover which is reflected in the average collection period. The operating cycle increased to 54 days in FY16 from 40 days in FY15. The utilization fund-based limits is also high at around 80% for the past 12 months ending November 2016 and provides no back-up.

Low profitability margins and competitive nature of the industry: PILL, like any other transportation & logistics player has low profitability margins. The industry is highly unorganized and the company faces intense competition from both the organized as well as unorganized players in the road transportation business.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
Rating Methodology- Service Sector Companies
Financial Ratios- Non Financial Sector
Criteria for Short-Term Instruments

About the Company

Patel Integrated Logistics Limited (PILL) offers logistic solutions through surface, air and sea transportation. The company was incorporated in 1962 as a private limited entity and was converted into public limited in 1990. PILL has two main divisions'- surface/road transportation and air freight services division.

PILL offers road transportation comprising of part and full truck load services through an extensive network of 100+ branch offices and 200+ delivery stations across the country. The company also provides on-board air freight services, air cargo consolidation services for domestic and international courier companies and inbound freight services. PILL also offers express cargo distribution services, such as door-to-door delivery of consignment, warehousing and secondary distribution. The company is managed by Mr Asgar Patel and Mr Areef Patel.

In May 2016, PILL incorporated a new subsidiary –Delivrex – to provide last-mile delivery services for e-commerce companies in Tier II and III cities. The company has also formed a JV with Saudi Arabia's Nationwide group to form a 3PL logistics company in Middle east. PILL will provide its knowhow, manpower and technology and manage the end-to-end operations of the venture.

During FY16 (refers to the period April 1 to March 31), PILL had recorded a PAT of Rs.8.37 crore (PY Rs.5.99 crore) on a total income of Rs.512.82 crore (PY Rs.588.62 crore). Besides, during H1FY17, the company had reported an income of Rs.249.78 crore and PAT of Rs.4.99 crore

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com****About CARE Ratings:**

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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	-	-	Monthly installments with varied maturities	0.98	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	52.35	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	17.67	CARE A3+

Annexure 2

Rating History for 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	0.98	CARE BBB; Stable	-	1)CARE BBB (16-Feb-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	52.35	CARE BBB; Stable	-	1)CARE BBB (16-Feb-16)	-	-
3.	Non-fund-based - ST-BG/LC	ST	17.67	CARE A3+	-	1)CARE A3+ (16-Feb-16)	-	-

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