Tiger Logistics (India) Limited

February 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	12.00	**CARE BBB-; Negative [Triple B Minus; Outlook Negative]**	Revised from CARE BBB; Negative [Triple B; Outlook: Negative]
Long-term/Short-term Bank Facilities	2.00	**CARE BBB-; Negative/CARE A3 [Triple B Minus; Outlook: Negative/A Three]**	Revised from CARE BBB; Negative [Triple B; Outlook: Negative]/CARE A3 [A Three]
Long-term Bank Facilities	-	-	Revised to CARE BBB-; Negative [Triple B Minus; Outlook: Negative] fromCARE BBB; Negative [Triple B; Outlook: Negative], and withdrawn*
Long-term/Short-term Bank Facilities	-	-	Revised to CARE BBB-; Negative [Triple B Minus; Outlook: Negative] /CARE A3 [A Three] From CARE BBB; Negative [Triple B; Outlook: Negative]/CARE A3 [A Three] and withdrawn*
Total Facilities	**14.00 (Rupees Fourteen crore only)**		

Details of facilities in Annexure-1
**based on No Objection certificate letter/email shared by lenders of the company, for the facilities rated by CARE*

Detailed Rationale and Key Rating Drivers

The rating revision takes into consideration deterioration in the performance of the company during FY19 and lower profitability during 9MFY20 vis-à-vis 9MFY19. Profitability and cash accruals of the company were affected and working capital cycle of the company stretched further with stretch in receivables period. This consequently resulted in increased dependence on working capital borrowing and the working capital limits remained fully utilized. Net Cash flow from operating activities also remained negative during FY19. Significant exposure of TLIL to the automobile sector which is facing several headwinds, subdued economic scenario and intense competition amidst the many players of the highly fragmented logistics industry have impacted the company's operations and profitability.

The ratings continue to derive strength from vast experience of the promoters with demonstrated track record, asset light model of operations, comfortable capital structure and association of TLIL with reputed clientele.
The above strengths are partially tempered by modest scale of operations, low profitability margins, working capital intensive nature of operations due to high collection period, competitive and fragmented nature of the industry and exposure to foreign exchange risk.

*CARE has revised the outstanding long term rating to **"CARE BBB-; Negative" [Triple B Minus; Outlook Negative]** and the outstanding long term/ short term rating to **CARE BBB-; Negative [Triple B Minus; Outlook: Negative] /CARE A3 [A Three]** respectively and has withdrawn the outstanding long term ratings of **"CARE BBB; Negative" [Triple B; Outlook Negative]** and long term/short term rating of **CARE BBB; Negative [Triple B; Outlook: Negative]/CARE A3 [A Three]** assigned to the bank facilities of Tiger Logistics (India) Limited with immediate effect. The above action has been taken at the request of Tiger Logistics (India) Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.*

Outlook: Negative
"Negative" outlook continues; and the performance of the company is expected to remain subdued with impact on profitability and stretch in debtor days. Sustainable improvement in operating cycle and cash accruals remains critical for changing the outlook to "Stable".

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

Rating Sensitivities

Positive factors

- Increase in scale of operations to over Rs.350 crore with significant improvement in its profitability on a sustained basis, with PBILDT margin being in the range of 7%-9%.
- Net cash flow from operations to turn positive on a sustained basis.
- Diversification across sectors to de-leverage risk associated with weakness in any particular sector.

Negative factors

- Increase in working capital intensity resulting in elongation of the working capital cycle by over 90 days.
- Moderation in capital structure resulting in an overall gearing of more than 0.50x on a sustained basis.

Detailed description of key rating drivers

Key Rating Strengths

Promoters' extensive experience in logistics sector

The promoters of the company Mr. Harpreet Singh Malhotra and Ms. Benu Malhotra has extensive experience in logistics sector. The promoters of the company have been instrumental in bringing the company at its current stature from a modest beginning after availing custom house agent licence in the year 2000. Further, the top management is ably supported by the middle and lower level of management.

Wide range of services in the offering

The company offers wide range of in-bound and out-bound logistics services such as transportation, customs clearance, international freight forwarding, etc. TLIL has an asset light business model with almost entire fleet hired from a network of truck vendors/operators. The company has opened office in Singapore to tap into international markets, however currently the operations are negligible.

Association with reputed and diversified customers and shipping lines/airlines

The company has been associated with reputed clientele facilitating the logistics needs of the corporates and multi-national companies. The company's association with diversified clientele is evident by the contribution of top 10 customers of around 30% to the total operating revenue in FY19.

Key Rating Weaknesses

Low profitability margins which have declined further

TLIL reported a modest growth of only 2% in its total income from FY18 to FY19. Due to subdued macroeconomic scenario, TLIL fell short of its envisaged income for FY19. The operating profitability margins of TLIL also declined from 6.09% in FY18 to 4.43% in FY19. The performance continued to remain weak during 9-month period ended December 31, 2019 whereby the company reported a total PAT of Rs. 2.05 crore as compared to PAT of Rs. 4.73 crore during 9-month period ended December 31, 2018. Exposure of TLIL to the automobile segment which is currently facing headwinds also contributed to the above. However, company was able to maintain the top line at similar levels by picking up business at lower margins. The company is now exploring opportunities in other sectors such as ceramic, commodities, defence etc. to reduce exposure to automobile sector. The ability of the company to garner profitable business from other sectors which also reflect in improvement of the overall profitability remains to be seen.

Significant increase in debt over last 3 years with total income increasing at a CAGR of only 5%

During FY17, TLIL reported a total income of Rs. 298.50 crore which has increased at a CAGR of 5% to reach Rs. 330.68 crore during FY19. Gross cash accruals have continued to decline over the period. Working capital borrowing has however increased significantly from Rs. 6.34 crore as on March 31, 2017 to Rs. 35.34 crore as on March 31, 2019. This is indicative of the fact that due to increasing competition in the logistics segment, TLIL is having to offer higher credit period to customers to attract newer businesses which is reflected by increase in collection period; whereas limited credit period continues to be received from shipping lines which is reflected by an average creditors period of around 25-30 days. Therefore to fund the increasing gap, the dependency on working capital debt has also increased for TLIL.

Competitive and fragmented nature of the industry coupled with exposure to forex risk

The Indian logistics industry is characterized by high degree of fragmentation. India's diverse geographical and socio-economic features, huge retail network and infrastructure limitations enable most of the logistics service providers in the country to provide the entire gamut of logistics services. Owing to this, the company has to compete with large number of small and medium-sized players operating in the sector. The company is also exposed to foreign exchange risk and so it undertakes forward trading to hedge any significant fluctuations in movement of currency rates.

Liquidity: Stretched
The operations of the company are highly working capital intensive with long collection period of 111 days during FY19 which has further increased from FY18. The utilization of working capital borrowings remains full and provides limited liquidity back-up. Net cash flow from operating activities also turned negative during FY19 due to increase in receivables position. Cash and cash equivalents as on March 31, 2019 was Rs. 3.59 crore.

Analytical approach: Consolidated; TLIL has a subsidiary entity based out of Singapore (named Tiger Logistics Pte. Limited). However, there are negligible operations in the same and as on March 31, 2019, TLIL had an investment of Rs. 20 lakhs in the subsidiary.

Applicable Criteria
CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Policy on Withdrawal of ratings

About the Company
Incorporated in the year 2000, Tiger Logistics (India) Limited (TLIL) is a multi-vertical logistics solution provider. It undertakes both in-bound and out-bound logistics solutions. The company offers air and ocean freight forwarding, project logistics, customs clearance/brokerage and trade compliance, supply chain consulting & logistics, cold chain logistics, warehousing and distribution services. Headquartered in Delhi, the company has offices in Ahmedabad, Pune, Chennai, Kutch, Ludhiana, Kolkata, Jaipur, Mundra, Veraval, etc. The company has received ISO 9001:2008 certifications.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	9MFY20 (UA)
Total Operating Income	324.49	330.67	233.44
PBILDT	19.79	14.66	6.56
PAT	11.34	6.32	2.05
Overall Gearing (times)	0.43	0.62	-*
Interest coverage (times)	9.13	4.73	2.15

A: Audited; UA; Unaudited
**Not computed as Balance Sheet as on December 31, 2019 is not available*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History: Please refer Annexure-2

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-Cash Credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE BBB-; Negative
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BBB-; Negative / CARE A3
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BBB; Negative (11-Jun-19)	1)CARE BBB; Stable (17-Jan-19)	-	-
2.	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB-; Negative	1)CARE BBB; Negative (11-Jun-19)	1)CARE BBB; Stable (17-Jan-19)	-	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	-	-	1)CARE BBB; Negative / CARE A3 (11-Jun-19)	1)CARE BBB; Stable / CARE A3 (17-Jan-19)	-	-
4.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2.00	CARE BBB-; Negative / CARE A3	-	-	-	-

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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