

## Tiger Logistics (India) Limited

### July 31, 2020

#### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	12.00	<b>CARE BB+; Negative</b> [Double B Plus; Outlook Negative]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Long-term/Short-term Bank Facilities	2.00	<b>CARE BB+; Negative</b> [Double B Plus; Outlook: Negative] /CARE A4 [A Four]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]/CARE A3 [A Three]
	<b>14.00</b> (Rupees Fourteen Crore only)		

*Details of facilities in Annexure-1*

#### **Detailed Rationale and Key Rating Drivers**

*The rating revision takes into consideration deterioration in the performance of the company during FY20 with the company reporting significant cash losses during the year. The company's performance is reflective of the weak macroeconomic scenario triggered by the corona virus pandemic. Significant exposure of TLIL to the automobile sector which is facing several headwinds, intense competition amidst the many players of the highly fragmented logistics industry have impacted the company's operations and profitability.*

*The rating continues to be constrained by modest scale of operations, low profitability margins, working capital intensive nature of operations, competitive and fragmented nature of the industry and exposure to foreign exchange risk.*

*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.*

#### **Outlook: Negative**

*The "Negative" outlook continues as 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".*

#### **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%.
- 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 Weaknesses**

##### ***Impact of coronavirus pandemic on business operations***

TLIL majorly handles export consignments which have been impacted due to overall weak macro-economic scenario triggered by the corona virus pandemic. However, TLIL has continued to handle the cargos for commodities and food items during last 2 months from April 2020 when the lockdown was imposed. The company's operations are partially functional (around 15-20%) and rest will depend upon the clients opening their factories for their export orders. However, TLIL has been pushing hard to get due payments from clients. However, there could be cases where clients also not been able to pay due to their financial distress and there may be instance of write off the debtors.

##### ***Significant cash losses reported during the year FY20***

International trade has also been badly hit on account of the coronavirus pandemic due to closure of port/airports and lack of availability of manpower. This has resulted in major pendency in cargo at all ports/airports and further resulted in major loss in terms of detention and demurrage on most of the cargo shipment at different locations. TLIL had existing door to door

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

contracts with different reputed companies and had to bear losses in terms of detention and demurrage to complete or execute the contract. The loss has been majorly in the Auto sector in Latin American markets. TLIL has a very high exposure to the Auto sector which has been facing several headwinds

***Significant increase in debt over last 3 years with total income increasing at a slow rate***

During FY17, TLIL reported a total income of Rs. 298.50 crore which has increased at a CAGR of 5% to reach Rs. 303.18 crore during FY20. 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. 36.64 crore as on March 31, 2020. 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; 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.

**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 has a diversified client base across sectors.

**Liquidity:** Stretched

Due to the impact of pandemic and limitations of customers to remit timely payment, the company's liquidity has remained stretched. The operations are highly working capital intensive with full utilization of working capital limits. Cash and cash equivalents as on March 31, 2020 was Rs. 4.45 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](#)

[CARE's methodology for Short-term Instruments](#)

[Rating Outlook and Credit watch](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

**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)	FY19 (A)	FY20 (Abridged)
Total Operating Income	330.67	303.17
PBILDT	14.66	(9.23)
PAT	6.32	(12.38)
Overall Gearing (times)	0.62	0.70
Interest coverage (times)	4.73	NM

A: Audited; NM: Not meaningful

**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	-	-	-	12.00	CARE BB+; Negative
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BB+; Negative / 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB-; Negative (27-Feb-20) 2)Withdrawn (27-Feb-20) 3)CARE BBB; Negative (11-Jun-19)	1)CARE BBB; Stable (17-Jan-19)	-
2.	Fund-based - LT-Cash Credit	LT	12.00	CARE BB+; Negative	-	1)CARE BBB-; Negative (27-Feb-20) 2)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 (27-Feb-20) 2)Withdrawn (27-Feb-20) 3)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 BB+; Negative / CARE A4	-	1)CARE BBB-; Negative / CARE A3 (27-Feb-20)	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications

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