

**CARE/JRO/RL/2019-20/1913**

**Mr. Atul Garg**  
Director  
**Shree Vasu Logistics Limited**  
Logistics Park, Opp. Jaika Automobiles  
Ring Road No. 1  
Raipur- 492001, Chhattisgarh

February 6, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY19 (A) and H1FY20 (Provisional) our Rating Committee has reviewed the followings ratings:

Facility/Instrument	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities	19.31(enhanced from Rs 14.66 crore)	<b>CARE BB+; Stable(Double B Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	4.00(enhanced from Rs 3.00 crore)	<b>CARE A4+( A Four Plus)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>23.31 (Rs. Twenty Three Crore Thirty One Lakh only)</b>		

2. Refer **Annexure 1** for details of rated facilities.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. We request for your immediate response since we have to publish the same shortly.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

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5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

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Thanking you,




**[Riddhi Tambi]**

Jr. Analyst

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Yours faithfully,



**[Abhishek Jain]**

Manager

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Encl.: As above

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**Annexure 1**  
**Details of Facilities to be Rated**

**1. Long-term Bank Facilities**  
**1. A Secured rupee term loans**

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	Kotak Mahindra Bank	2.03	Outstanding as on December 31,2019	Original Sanctioned Amount is Rs.2.45 crore to be repayable in 76 equally monthly installments (EMI) of Rs.0.05 crore starting from April, 2018
2.		0.92	Outstanding as on December 31, 2019	Original Sanctioned Amount is Rs.2.25 crore to be repayable in 81 equally monthly installments (EMI) of Rs. 0.04 crore starting from August 2015
3.		0.43	Outstanding as on December 31, 2019	Original Sanctioned Amount is Rs.1.75 crore to be repayable in 68 equally monthly instalments (EMI) of Rs. 0.03 crore starting from August 2015
4.		0.66	Outstanding as on December 31, 2019	Original Sanctioned Amount is Rs.2.49 crore to be repayable in 72 equally monthly installments (EMI) of Rs.0.05 crore starting from July 2015
5.		1.96	Outstanding as on December 31, 2019	Original Sanctioned Amount is Rs.7.44 crore to be repayable in 72 equally monthly installments (EMI) of Rs.0.14 crore starting from July 2015
6.		1.81	Outstanding as on December 31,2019	Original sanctioned amount is Rs 2.00 crore to be repayable in 76 Equal Monthly Installments( EMI) of Rs 0.02 crore starting from December 2019
7		3.00	-	Original sanctioned amount is Rs 3.00 crore to be repayable in 82 Equal Monthly Installments(EMI) of 0.03 crore from April 2020
<b>Total Facility</b>		<b>10.81</b>		

## 1. B Fund based limits

### 1.B. Fund Based working capital limits

(Rs. Crore)

Sr. No.	Name of Bank	Fund Based Limits		
		CC*	Bank Overdraft	Total fund-based limits
1	Kotak Mahindra Bank	7.50	-	7.50
2.	Axis Bank	-	1.00	1.00
	<b>TOTAL</b>	<b>7.50</b>	<b>1.00</b>	<b>8.50</b>

Total long-term facilities Rs. 19.31 crore

### 1. Short-term facilities

#### 2. A Fund Based facilities

(Rs. Crore)

Sr. No.	Name of Bank	Fund Based Limits		
		WCDL*	Remarks	Total fund-based limits
1	Kotak Mahindra Bank	1.00	Up to 120 days	1.00
	<b>TOTAL</b>	<b>1.00</b>	-	<b>1.00</b>

\*WCDL: Working Capital Demand Loan

#### 2. B Non Fund Based Facilities

(Rs. Crore)

Sr. No.	Name of Bank	Non Fund Based Limits		
		BGs*	Others	Tenure as per sanction letter
1	Kotak Mahindra Bank Ltd	3.00	-	Up to one year
	<b>TOTAL</b>	<b>3.00</b>	-	

\*BG: Bank Guarantee

Total Short term Bank Facilities Rs 4.00 Crore.

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**Annexure- II**  
**Press Release**  
**Shree Vasu Logistics Limited**

**Ratings**

Facility/Instrument	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities	19.31(enhanced from Rs 14.66 crore)	CARE BB+; Stable(Double B Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	4.00(enhanced from Rs 3.00 crore)	CARE A4+( A Four Plus)	Reaffirmed
<b>Total facilities</b>	<b>23.31</b> <b>(Rs. Twenty Three Crore Thirty One Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Shree Vasu Logistics Limited (SVLL) are continue to remain constrained on account of its modest scale of operations in the highly competitive nature of the transportation and logistics business. The ratings, further, constrained on account of project implementation risk associated with it.

The ratings, however, continues to derive strength from experienced management with established customer base, diversified revenue stream and moderate profitability margins. The ratings, further, derive strength from moderate solvency position and adequate liquidity position.

Rating Sensitivities

*Positive Factors*

- Sustained increase in scale of operations of the company more than Rs.70.00 crore while maintaining of profitability margins.
- Timely completion of its debt funded project
- Sustained increase in PBILDT margin with PBILDT margin more than 20%.

*Negative factors*

- Deterioration of capital structure beyond 1.00 times owing to any debt funded CAPEX
- Any deterioration in PBILDT margin less than 12%.
- Deterioration of liquidity position with operating cycle more than 100 days.

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## Detailed description of the key rating drivers

### Key Rating Weaknesses

#### ***Decline in profitability margins although stood moderate***

Profitability of the company stood moderate marked by PBILTD and PAT margin of 15.34% and 4.67% respectively in FY19 as against 21.80% and 7.18% respectively in FY18. PBILTD margin of the company has declined by 645 bps over FY18 mainly on account of increase in employee cost, godown rent and hire charges paid. Decline in PBILTD margin and increase in depreciation cost has led to decline in PAT margin by 375 bps over FY18, although lower in quantum as against decrease in PBILTD margin owing to low interest cost. The GCA of the company has also declined and stood at Rs.3.64 crore in FY19.

In H1FY20, it has registered PBILTD and PAT margin of 15.17% and 7.15% respectively

#### ***Modest scale of operations although diversified revenue stream***

Due to repeated orders from the existing clients as well as association of new client with the company attributes to continuous growth in Total Operating Income (TOI). The scale of operations of SVLL as indicated by TOI has exhibited increasing trend during the last three financials years (FY17-FY19) and grew at a compounded Annual Growth Rate (CAGR) of 6.90% in same time period. During FY19, TOI of the company has grown by 14.33% over FY18 and stood at Rs.35.89 crore in FY19. TOI consist of 72.40% of transportation services and 27.60% of warehousing services. Till September 30, 2019 the company achieved TOI of Rs 32.65 crore. Despite continuous growth in TOI, the scale of operations of the company stood at modest level.

#### ***Highly competitive nature of transportation and logistics business***

The business of the company is a highly competitive business on account of high degree of fragmentation in the industry with presence of a large number of small players having limited fleet size, both in organized and unorganized sectors. The warehousing market in India is highly fragmented with most warehouses having an area of less than 10,000 sq.ft. Approximately 90% of the warehousing space in the country is controlled by unorganized players with smaller sized warehouses which have limited mechanization. Fragmented warehousing footprint results in

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higher average inventory holding, in addition to resulting in higher storage and handling losses, driven by lower level of mechanization.

### ***Project implementation risk***

The company is increasing its scale of operation by addition of new warehouses on rental basis as well as owned warehouses. The company is expanding its business in major parts of eastern and southern India and, it has plans to increase its warehouse storage capacity. During FY20, it undertook a project for construction of warehouse at Raipur and has envisaged project cost of Rs.6.67 crore to be funded through term loan of Rs.5 crore and remaining through internal accruals. Till September 30, 2019, it has incurred total cost of Rs.1.71 crore towards the project. The project will be completed in first half of FY21.

After completion of this project, it will take further project for capacity expansion. It has envisaged project cost of Rs.11.56 crore to be funded through term loan of Rs.9.25 crore and remaining through internal accruals. It already achieved financial closure for entire project.

### **Key Rating Strengths**

#### ***Experienced management with established customer base***

Mr. Bhushan Garg, founder promoter, is Chairman of the company and has more than three decades of experience in the industry. He is assisted by his son, Mr. Atul Garg, Managing Director, who has experience of more than a decade in the industry. Mrs. Preeti Garg has joined SVLL in 2017 and has vast experience in developing financial strategy. Further, the directors are assisted by second tier management who has vast experience in their respective fields.

Being present in the industry since long, the company has established relations with various large corporates and the same is reflected from the repeated orders from them. The company caters its services to various sectors such as agriculture, petroleum, food and food products, FMCG, Medicine, cosmetics, paints and adhesives and wires and cables and hence, Total Operating Income (TOI) is not concentrated on any one sector.



### ***Moderate solvency position***

The solvency position of the company stood comfortable marked by overall gearing of 0.59 times as on March 31, 2019, improved from 2.38 times as on March 31, 2018 mainly on account of increase in share capital through IPO and accretion of profit to reserves as well as repayment of unsecured loans, scheduled repayment of term loan and low working capital bank borrowings. The debt service coverage indicators of the company stood moderate marked by total debt to GCA of 3.07 times as on March 31, 2019, improved from 4.70 times as on March 31, 2018 owing to higher decrease in total debt as against decrease in GCA level. Further, interest coverage ratio of the company stood moderate at 3.95 times as on March 31, 2019, improved from 3.59 times as on March 31, 2018 mainly on account of low interest and finance cost.

### ***Healthy demand outlook of the sector***

The domestic logistics market is expected to grow at a CAGR of approximately 10%. Indian logistics market is expected to be driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors. Development of logistics-related infrastructure such as dedicated freight corridors, logistics parks, free trade warehousing zones, and container freight stations are expected to improve efficiency. The industry is dominated by transportation, which accounts for over 85% of total value, and its share is expected to remain high over the next few years.

### ***Liquidity: Adequate***

Liquidity position of the company stood adequate marked by the average utilization of fund based limit of around 48.21% during the last twelve months ended December 31, 2019. The operating cycle of the company stood at 63 days in FY19, improved from 68 days in FY18 owing to increase in creditors days. SVLL pay creditors consisting of rental business within 30 days and transportation business within 30 days. The debtors of the company stood high on account of its presence in warehousing and renting activities and it has low bargaining power with its customers. Due to low inventory and high working capital bank borrowings, the current ratio and quick ratio of the company stood below unity at 0.75 times and 0.74 times respectively as on March 31, 2019. The cash and bank balance of the company stood at Rs.2.04 crore as on March 31, 2019. Further, cash

flow from operating activities stood at Rs 5.50 crore as on March 31, 2019. The GCA of the company stood at Rs 6.86 crore against repayment of Rs 3.20 crore in FY20.

#### **Analytical Approach: Standalone**

#### **Applicable Criteria**

Criteria on assigning 'outlook' and 'credit watch' 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**

Raipur (Chhattisgarh) based SVLL was initially incorporated in 2007 as a private limited company by Garg family with a takeover of four proprietorship concerns (which was belonged to Garg family). Subsequently, in 2018, the constitution of the company was changed to Public Limited Company and assumed current name. Further, in June 4, 2018, the shares of the company were listed on National Stock Exchange of India (NSE) SME platform.

SVLL is engaged in logistic services which include warehousing, carrying and forwarding agent (C&F), transportation, inventory management, and product handling. The company provides C&F services in Chhattisgarh, Orissa, West Bengal, Assam and some parts of Madhya Pradesh and Maharashtra. The company has total warehousing capacity of 20 lakh square feet as on March 31, 2019 and provides its services to major large corporate clients. It has in house online ERP software for logistic management. It has more than 30 transport vehicles for providing transportation and distribution services. Further, the company is expanding its business in major parts of Eastern and Southern India.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	31.39	35.89
PBILTD	6.84	5.50
PAT	2.22	1.51
Overall gearing (times)	2.38	0.59
Interest coverage (times)	3.59	3.95

(A; Audited)



Status of non-cooperation with previous CRA:

Any other information: Not Applicable

Rating History (Last three years): 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-Term Loan	-	-	July 2024	10.81	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE BB+; Stable
Fund-based - LT-Bank Overdraft	-	-	-	1.00	CARE BB+; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	1.00	CARE A4+
Non-fund-based - ST-Bank Guarantees	-	-	-	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 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-Term Loan	LT	10.81	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-19)	-	-
2.	Fund-based - LT-Cash Credit	LT	7.50	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-19)	-	-
3.	Fund-based - LT-Bank Overdraft	LT	1.00	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-19)	-	-
4.	Fund-based - ST-Working Capital Demand loan	ST	1.00	CARE A4+	-	1)CARE A4+ (19-Mar-19)	-	-
5.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4+	-	1)CARE A4+ (19-Mar-19)	-	-

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**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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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over 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.

### Disclaimer

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