



October 4, 2010

## ICRA revises the long-term rating for bank facilities of Om Logistics Limited; revises the short-term rating for CP/ STD Programme

ICRA has revised the rating for the Rs. 80.56 Crore long-term loans, Rs. 43.0 Crore<sup>1</sup> cash credit facilities and Rs. 3.75 Crore non-fund based facilities of Om Logistics Limited (OLL) from LA (pronounced L A) to LA+ (pronounced L A plus)<sup>†</sup>. The outlook on the long-term rating has been revised from "Positive" to "Stable". ICRA has also revised the rating for the Rs. 20.0 Crore Commercial Paper/ Short Term Debt programme of OLL from A1 (pronounced A one) to A1+ (pronounced A one plus).

The ratings upgrade is driven by steady improvement in OLL's operational and financial profile by virtue of an improved economic environment translating into healthy business growth with existing customers, besides addition of new customers in the company's portfolio. OLL has particularly benefited from the healthy growth in the auto sector on which the company is dependent for over 50% of its revenues. The ratings take into account OLL's diversified customer base, healthy mix of owned and leased trucks and warehousing space, largely outsourced model of operation, and limited capex/ investment plans over the medium term. OLL provides integrated logistics services to a wide range of industries including auto, pharmaceuticals, consumer durables, retail and telecom, even though its dependence on the auto sector remains high. With top 25 customers accounting for 23% of the company's standalone revenues in 2009-10, the company's client concentration risks are low. OLL serves around 2,000 clients through a broad-based infrastructure supported by a network of 400 branches, 23 owned warehouses/ hubs, more than 200 offices and godowns (rented from third parties), an owned fleet of 192 trucks and around 3,000 trucks on short-term lease. Being on an asset light outsourced model, the company is less exposed to cyclical downturns. The rating is also supported by the company's low capex and investment plans over the medium term. However, the rating is constrained by high working capital intensity in the business; inherent cyclicity and competitive pressures in the highly fragmented road transportation business. In ICRA's view, the ability of OLL to sustain its profit margins and at the same time manage its receivables would play a critical role in sustaining its credit profile going forward.

### Recent Results

In Q1 2010-11 (provisional), OLL's Net Sales at Rs. 119.5 Crore reported a growth of 32% over the corresponding previous quarter. Also, the company's profit before depreciation, interest and tax (PBDIT) at Rs. 17.6 Crore reported a growth of 47% over the corresponding previous quarter. OLL's profit after tax (PAT) increased from Rs. 5.3 Crore in Q1 2009-10 to Rs. 8.2 Crore in Q1 2010-11.

### Company Profile

The Om Group of companies commenced providing logistics services in 1990 through Om Auto Carriers (OAC), a sole proprietorship firm. OAC was engaged in the transportation of finished vehicles from car manufacturers to dealer outlets. Om Air Freight Limited (OAFL) was launched in 1995 to supplement the road transportation business and provide door-to-door air cargo services. Thereafter, the group set up Om Logistics Limited (OLL) in 1999 to focus on third-party logistics (3PL), wherein all group logistics related activities were shifted, besides enhancing the portfolio across more clients and segments.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## PRESS RELEASE

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# ICRA Limited

An Associate of Moody's Investors Service

OLL, the flagship company of the Om Group, is a multi-modal (surface, rail, air) logistics company, which provides integrated logistics services for all the elements of the supply chain management like transportation, warehousing, inventory management and value-added processes. The company primarily deals with corporate clients and derives over 50% of revenues from the auto sector.

In November 2007, Merrill Lynch International (now Bank of America) invested Rs. 60.0 Crore in OLL in the form of compulsorily convertible cumulative preference shares (CCCPS) with the second tranche of Rs. 20.0 Crore invested in April 2008. These proceeds were utilised by the company in 2007-08 towards fleet expansion and purchase of land aimed at expanding the warehouse network of the company. Further, in 2007-08, the company had also made sizeable investments towards acquisition of (i) 85% equity stake in Om Telecom Logistics Private Limited (OTL, erstwhile Crossroad Logistics Private Limited) engaged in telecom logistics; and (ii) 100% stake in Z.K. Engineering (engaged in construction of warehouses). Currently, OLL also holds 32% equity stake in Om Marubeni Logistics Private Limited, a company set up in January 2008 for serving the logistics requirements of several Japanese automotive Original Equipment Manufacturers (OEMs) in India.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

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