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ICRA places the ratings of Transafe Services Limited under Rating Watch with negative implications

ICRA has placed the ratings of Transafe Services Limited (TSL) under rating watch with negative implications, following media reports that the profits of TSL have been found to be overstated during a recent audit, and the significant weakening of the company's financial profile if net worth is adjusted for the same. TSL has ratings outstanding of LA- (pronounced L A minus) for the Rs 183.23 crore¹ long term bank facilities and A2+ for the Rs 11.50 crore non fund based limits from ICRA[†].

As per media reports, the largest shareholder of the company, Balmer Lawrie & Company Limited (BL), has discovered instances of fraud in FY07, FY08 and FY09, during a forensic audit conducted by KPMG after the exit of ICICI Ventures. BL has lodged complaints against the erstwhile Managing Director and certain members of the previous management, and also intends to sue ICICI Ventures, which held 70.91% of the shares prior to its exit during FY10. As per the court filing, the net profits of these years was overstated by Rs 24.87 crore in aggregate, which can substantially elevate the company's gearing levels, considering that the net worth of TSL was Rs 41.08 crores as on March 31, 2009.

ICRA would be awaiting further details to assess the impact on the credit profile of TSL.

Company Profile

Transafe Services Limited (TSL) is involved in the areas of domestic leasing of containers, international leasing, cold chain logistics, manufacturing of custom built containers, trailer logistics and infrastructure based logistics services. TSL was originally incorporated in 1990 as Indian Container Leasing Limited, when the company was involved in domestic leasing of containers to multi-modal transportation / logistics service providers. In 2005-06, the name was changed to Transafe Services Limited (TSL), when the company decided to diversify into new areas like manufacturing of custom built containers, trailer logistics and infrastructure based logistics services. Currently, TSL has a fleet of 15,245 containers, apart from 324 reefers under its Cold Chain division. Although TSL was registered as an NBFC with RBI, the company surrendered its NBFC license in FY09 keeping in view its current operations. TSL was promoted by Balmer Lawrie & Co. Ltd, a Public Sector Company functioning under the control of Ministry of Petroleum and Natural Gas (MoPNG), Government of India and the ICICI Group.

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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

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.