

September 09, 2024

## Camions Logistics Solutions Private Limited: Rating reaffirmed; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based proposed limits	10.0	10.0	[ICRA]BBB- (Stable); reaffirmed, and outlook revised to Stable from Negative
<b>Total</b>	<b>10.0</b>	<b>10.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revision in the outlook to Stable, represents ICRA's expectations of an improvement in profitability and scale for Camions Logistics Solutions Private Limited (CLSPL) compared to its earlier estimates. The improvement in operating profitability has also led to healthy coverage ratios. The operating margins have improved due to an improvement in scale, cost-saving measures like utilising captive fuel stations, introduction of non e-commerce business, and rationalisation of loss-making lanes.

ICRA notes that the company's current operating model incorporates regular addition of fleet. The addition is primarily funded through commercial vehicle loans. The addition of new loans along with repayment of existing loans exposes the business to a thin buffer for repayment of the loans. However, ICRA does note that in the last two years, CLSPL has ramped-up its scale, and improved its operating margins, thus leading to a relatively stronger net cash accrual (Rs. 17.8 crore in FY2024 against Rs. 8.0 crore in FY2022). In addition, CLSPL sells trucks which are older than five years, which garnered additional cash inflow of Rs. 2.5 crore in FY2024.

The rating reaffirmation, however, favourably factors in the ramp-up in revenues witnessed over the years, to Rs. 415.4 crore in FY2024 on a provisional basis against Rs. 356.8 crore in FY2023. The same is driven by the growth in freight volumes handled, supported by the addition of new clients in e-commerce and other sectors, aided by the overall growth in the logistics space.

Moreover, the rating reflects CLSPL's modest gearing and adequate liquidity profile. Despite an improvement in the operating profitability, CLSPL's operating margins are relatively weaker, and with an asset-medium business model, the return indicators continue to be suppressed (ROCE ranging from 2.5-4.6% in the last three years). Additionally, while its pricing ability remains limited against the backdrop of an intensely competitive business, CLSPL's margins are vulnerable to the fluctuations in fuel prices and hire charges for leased vehicles, given that it can pass on the increases only to a limited extent. Further, CLSPL is exposed to high customer concentration risks as its top three customers contribute more than 56% to its total revenues; however, annual contracts with major customers lend comfort.

The Stable outlook on the long-term ratings reflects ICRA's expectations that the growth potential of the e-commerce industry will continue to support the company's earnings prospects and improve its credit profile, going forward.

### Key rating drivers and their description

#### Credit strengths

**Ramp-up in revenues over the years, driven by growth in freight volumes handled** – The company's revenues expanded by 16.4% to Rs. 415.4 crore in FY2024, driven by the growth in freight volumes handled. Post the pandemic, the road logistics sector has witnessed a good recovery, which is expected to benefit players like CLSPL. ICRA expects the company's revenue growth to continue (~15-20%) with fleet expansion and new customer addition as also witnessed over recent quarters.

**Adequate capital structure supported by fund infusion from private equity investors** – The company’s capital structure is adequate with the overall gearing of 0.6 times and TOL/TNW of 0.9 times as on March 31, 2024. CLSPL had raised substantial capital from Aavishkaar Bharat Fund (ABF) and Paragon Partners Growth Fund (PPGF), who have infused over Rs. 150.0 crore in multiple tranches during FY2019–FY2022 in the form of equity and compulsorily convertible preference shares (CCPS). The company had a total bank debt of Rs. 74.4 crore outstanding as on March 31, 2024, primarily in the form of commercial vehicle loans. It has added 95 vehicles in FY2024. The private equity investment is being utilised towards both organic and prospective inorganic growth funding.

**Comfortable liquidity profile** – The company maintains comfortable cash and liquid investments in the form of encumbered FDs and free cash. The company utilises OD limits which are backed by the encumbered FDs rather than CC limits due to lower interest rates. As on June 30, 2024, the company had total cash and cash equivalents of Rs. 77.1 crore, out of which Rs. 32.0 crore is lien-marked as collateral for bank limits, mainly OD. The free cash balance as on June 30, 2024, was Rs. 45.1 crore. In addition to the balance sheet liquidity, ICRA notes that the company had ~139 loan-free trucks available as on June 30, 2024, having a market value of Rs. 11.1 crore. These can be sold, if the need arises, and the company sold 35 trucks in FY2024, realising Rs. 2.8 crore.

### Credit challenges

**Relatively lower operating profitability despite an improvement in FY2024, resulting in weak coverage and return indicators** – The profit margins have improved with operating margin at 3.8% (-0.3% in FY2023, and 2.6% in FY2022) and net margin at 1.3% in FY2024 owing to improvement in scale, cost-saving measures like utilising of captive fuel stations, and rationalising loss-making lanes. Despite an improvement in the operating profitability, CLSPL’s operating margin is relatively weaker, and with an asset-medium business model, the return indicators continue to be suppressed (ROCE ranging from 2.5-4.6% in the last three years). Consequently, CLSPL’s return, and coverage metrics were modest given the modest profitability and typical short tenor of its loans, reflected in Total Debt/OPBDITA at 4.7 times, interest cover of 4.5 times and DSCR of 1.1 times in FY2024. ICRA expects an improvement in the coverage metrics in FY2025, however the scope would remain as a key point to monitor.

**Margins remain vulnerable to fluctuations in fuel prices and hire charges for vehicles** – The company remains exposed to the fluctuations in hire charges for vehicles from vendors, over and above its owned or leased fleet. These rates are primarily dependent on the demand–supply dynamics. Moreover, CLSPL’s earnings are vulnerable to the volatility in fuel prices with limited pass-through to change in fuel prices to its customers.

**Highly competitive and fragmented industry** – The road logistics sector is highly fragmented with most of the business being handled by the unorganised segment. While there is a significant opportunity for organised players to scale-up their businesses, especially post-GST implementation, the fragmented nature of the industry results in stiff competition, thereby exerting pressure on the players’ pricing ability.

### Liquidity position: Adequate

The company has total liquidity of Rs. 77.1 crore, of which Rs. 31.8 crore is encumbered as collateral towards OD limits and margin towards bank guarantees as on June 30, 2024. During the same period, CLSPL had a cushion of Rs. 15.0 crore from undrawn CC limits and Rs. 22.7 crore from OD limits. Its average utilisation of OD limits has remained around 12% during FY2024. CLSPL has repayment obligations of around Rs. 23.0 crore in FY2025. It will also keep adding to its fleet, which will be primarily debt funded. ICRA does note that the entity is selling vehicles which are older than five years, and where the corresponding loans have been repaid (~Rs. 4.0 crore in FY2024), the inflows are used for working capital purpose.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating, if a healthy growth in operating income and material improvement in its profit margins, on a sustained basis, leads to a significant improvement in its coverage metrics. A specific credit metric for an upgrade could be Total debt/OPBITDA standing at less than 2.8 times, on a sustained basis.

**Negative factors** – Pressure on the rating could arise, if there is a decline in revenues and operating margins, resulting in lower cash flows on a sustained basis, or a deterioration in the working capital cycle impacting the liquidity position. A specific credit metric for a downgrade could be interest cover being less than 3.0 times, on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financials of the issuer.

## About the company

Camions Logistics Solutions Private Limited, incorporated in 2015, is part of the road logistics sector and operates through hybrid asset ownership models with a combination of its own fleet and a hired fleet from third-party vendors. It provides services across India, primarily North India. The company is present in the full truck load (FTL) segment, while providing express logistics services mainly for the e-commerce segment. CLSPL has around 479 vehicles (primarily owned) with tie-ups for additional vehicles from dedicated vendors, leading to an average fleet of more than 1,000 vehicles under active management.

### Key financial indicators (audited)

Camions Logistics Solutions Private Limited	FY2022	FY2023	FY2024*
Operating income	275.2	356.8	415.4
PAT	0.8	-11.5	5.3
OPBDIT/OI	2.6%	-0.3%	3.8%
PAT/OI	0.3%	-3.2%	1.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.9	0.9
Total debt/OPBDIT (times)	8.0	-56.3	4.7
Interest coverage (times)	2.9	-0.4	4.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Amounts in Rs. crore; \*Provisional data

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025) Amount rated (Rs. crore)	Chronology of rating history for the past 3 years			
			Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Sept 09, 2024	Jun 08, 2023	Jun 27, 2022	-
1 Fund-based Proposed limits	Long-term	10.0	[ICRA]BBB-(Stable)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Stable)	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Proposed limits	Simple*

\* The complexity indicator mentioned in the table is based on ICRA's assumptions and is subject to change when the terms are eventually finalised.

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Proposed Limits	NA	NA	NA	10.00	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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