

February 29, 2024

Boxco Logistics India Private Limited: Rating downgraded to [ICRA]A4

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Non-fund based facilities	14.00	7.01	[ICRA]A4; downgraded from [ICRA]A4+
Short-term – Unallocated Limits	8.73	15.72	[ICRA]A4; downgraded from [ICRA]A4+
Total	22.73	22.73	

*Instrument details are provided in Annexure-I

Rationale

The rating downgrade for Boxco Logistics India Private Limited (BLIPL, the company) reflects the continued moderation in its scale of operations and the subdued profitability of the consolidated entity after the demerger of the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, from BLIPL, from April 1, 2019. The demerger was part of the scheme of arrangement implemented by the JM Baxi Group. Moreover, in FY2022, key subsidiary Boxcoworld Logistics India Private Limited (BWL IPL) transferred its international freight forwarding business to a new entity, Boxcoworld Private Limited (BWPL), as a going concern by way of a slump sale, effective from October 1, 2021, which further moderated the financial performance of the consolidated entity. The consolidated scale of operations is expected to witness significant moderation, going forward. While ICRA expected the freight forwarding segment to ramp up at a healthy pace, the performance has continued to lag ICRA's expectation and the overall profitability has also remained subdued.

ICRA further notes the vulnerability of the company's operations to any slowdown in economy and variation in trade volumes, while the margins are susceptible to high competition in the logistics and freight forwarding industry.

The rating, however, draws comfort from the company being part of the JM Baxi Group, one of the leading end-to-end logistics players in the country having integrated presence in the logistic chain as well as port operations, and the established track record and extensive experience of the promoters and management in the logistics industry. The rating also takes note of the recent term loan facility availed by a subsidiary of BLIPL; however, at a standalone level, there is no external debt with outstanding limited to non-fund based limits.

Key rating drivers and their description

Credit strengths

Part of JM Baxi Group with diversified service offering – BLIPL is part of the Mumbai-based end-to-end shipping logistics industry major, J. M. Baxi Group. The Group has a track record of over 100 years in shipping logistics, with the promoters being the shareholders of the company. The promoters of the company have supported it over the years by infusing capital via unsecured loans/preference shares directly or through entities in the JM Baxi Group. Further, the established position of the Group and the projects being implemented at the Group level are expected to support the freight forwarding business and CHA-related fee income for BLIPL standalone in the near to medium term.

Credit challenges

Moderate scale of operations and subdued profit margins – The company achieved an operating income of Rs. 63.52 crore in FY2023 compared to Rs. 27.69 crore in FY2022; however, the OPM and NPM remain subdued at -20.1% and -15.9%, respectively, in FY2023. The margins remained muted because of the losses from the existing logistics contract. In FY2023, the

revenue witnessed a sharp increase due to residual work for the execution of a large contract. Going forward, the revenue from this contract will be under Rs. 1 crore and thus the scale of operations will moderate significantly.

The scale of operations has witnessed significant moderation after the demerger of the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, from BLIPL in 2019. Subsequently, the SEZ segment, which was handling back-office services for Dubai-based subsidiary Diabos FZE was transferred to another group entity – J M Baxi Technologies Private Limited - in FY2022 and the existing logistics contract for the transportation of construction material and equipment with a key customer also ended in July 2022. The company will continue to do some operations and maintenance for the customer in the medium term. Hence, going forward at a standalone level, the freight forwarding business, O&M activity and custom house agency-related fees will contribute to the standalone revenue. However, the operations from these activities are expected to be profitable against the losses incurred in the logistics contract earlier.

At the consolidated level, the key subsidiary - BWLIPL - transferred its business to BWPL as a going concern by way of a slump sale, effective from October 1, 2021, which further moderated the financial performance of the consolidated entity. The consolidated scale of operations is expected to witness significant moderation, going forward, although the two subsidiaries – Boxco Shipping Service Private Limited (BSSPL) and Diabos Global FZE - will continue to operate at a consolidated level.

The logistics and freight forwarding industry in India is highly fragmented on account of a large number of players. This has resulted in intense competition in the sector. As a result, the operating margin for BLIPL has remained low at the standalone and consolidated levels.

Susceptible to economic slowdown and variation in trade volumes – The performance of the logistics and freight forwarding industry is linked to global economic activities, which have an impact on the exim trade volume. Any slowdown in domestic and global manufacturing/industrial activities due to weak economic conditions or restrictive trade policies can have a negative impact on the company’s revenues.

Liquidity position: Stretched

BLIPL’s liquidity position is expected to remain stretched due to the continued losses in FY2022 and FY2023 that resulted in negative net worth for BLIPL and the company had to fund the cash losses. The liquidity is supported by the availability of cash and bank balances of Rs. 12.1 crore as on March 31, 2023 at a standalone level.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company demonstrates an improvement in its consolidated scale of operations and profitability on a sustained basis, while maintaining a comfortable capital structure.

Negative factors – Pressure on the rating could arise if there is a sustained moderation in the scale and margin of the consolidated entity, or a larger-than-expected debt-funded capex, or a stretch in working capital cycle that will weaken the liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Boxco Logistics India Private Limited. As on March 31, 2023, the company had four subsidiaries and three JVs, that are enlisted in Annexure II. However, the consolidated financial for FY2023 includes BLIPL, BWLIPL, BSSL and Diabos Global FZE. The consolidation has been done by ICRA in the absence of consolidated financials available for the entity

About the company

Boxco Logistics India Private Limited (BLIPL), a part of the JM Baxi Group, was founded in 2011. The J.M. Baxi Group is an end-to-end logistics major with an experience of 100 years in the logistics and shipping industry. BLIPL was set up for providing a one-stop logistics solution in India. As part of the scheme of arrangement or demerger implemented by the JM Baxi Group, the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, have been demerged from BLIPL, effective April 1, 2019. After the demerger, four divisions continued to operate under BLIPL - the SEZ division, ongoing logistics contract with a customer, freight forwarding and customs house agency (CHA). Subsequently, the logistics contract ended in July 2022 and the SEZ division was transferred to another group entity – J M Baxi Technologies Private Limited - in FY2022. Going forward, at a standalone level, only freight forwarding and the CHA-related business remain under the standalone entity.

At the consolidated level, the international freight forwarding services offered through its key subsidiary, BWIPL, has also been transferred to another entity - BWPL - since October 2021. Hence, only the operations under the other two subsidiaries - Boxco Shipping Service Private Limited and Diabos Global FZE - will continue to be operational.

Key financial indicators

BLIPL Consolidated	FY2022 (Audited)	FY2023 [^] (Provisional)
Operating income	228.12	131.51
PAT	-2.56	17.17
OPBDIT/OI	-1.2%	8.7%
PAT/OI	-1.1%	13.1%
Total outside liabilities/Tangible net worth (times)	1.60	1.82
Total debt/OPBDIT (times)	-6.96	3.22
Interest coverage (times)	-0.92	5.48

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; [^] ICRA estimates and includes BLIPL (standalone), BWIPL, BSSPL and Diabos Global FZE

BLIPL Standalone	FY2022 (Audited)	FY2023 (Audited)
Operating income	27.69	63.52
PAT	-9.95	-10.07
OPBDIT/OI	-43.6%	-20.1%
PAT/OI	-36%	-15.9%
Total outside liabilities/Tangible net worth (times)	-8.91	-5.10
Total debt/OPBDIT (times)	NM*	NM
Interest coverage (times)	NM	NM

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore, NM- Not meaningful due to negative OPBDIT

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Feb 29, 2024	Nov 30, 2022	Aug 20, 2021	-	
1 Fund-based -Term loan	Long term	-	-	-	-	[ICRA]BBB-(Stable); Withdrawn	-	
2 Fund-based – Cash credit	Long term	-	-	-	-	[ICRA]BBB-(Stable); Withdrawn	-	
3 Non-fund based working capital facilities	Short Term	7.01	-	[ICRA]A4	[ICRA]A4+	[ICRA]A3	-	
4 Unallocated Limits	Short Term	15.72	-	[ICRA]A4	[ICRA]A4+	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based	Simple
Unallocated Limits	Not Applicable

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	Non-fund based	NA	NA	NA	7.01	[ICRA]A4
NA	Unallocated Limits	NA	NA	NA	15.72	[ICRA]A4

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Boxcoworld Logistics India Private Limited	100.00%	Full Consolidation
Boxco Shipping Services Private Limited	100.00%	Full Consolidation
Diabos Global FZE	100.00%	Full Consolidation
Vir Special Ship Pvt Ltd	100.00%	Full Consolidation
J M Baxi Incubators Private Limited	4.41%	Equity Method
Boxco Far East Pte Ltd	14.30%	Equity Method
Boxco Logistics Bangladesh Pvt Ltd	51.00%	Equity Method

Source: Company

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