

February 28, 2025

Capricorn Logistics Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based OD	6.00	6.00	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Fund-based CC	33.50	33.50	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Fund based WCDL (Sub Limit)	(15.00)	(15.00)	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Non-fund Based BG (Sub Limit)	(2.00)	(2.00)	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Non-fund Based Credit Exposure Limit	1.40	1.25	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Non-fund Based Credit Exposure Limit (Sub Limit)	(19.00)	(5.00)	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Term loan	31.47	25.82	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Non-fund Based – Working capital	5.00	5.00	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Fund-based OD (Sub limit)	(5.00)	(5.00)	[ICRA]BBB+ (Stable); Reaffirmed
Long term - Unallocated	0.00	5.80	[ICRA]BBB+ (Stable); Reaffirmed
Total	77.37	77.37	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in ICRA's expectation that Capricorn Logistics Private Limited (CLPL) will maintain its credit profile on the back of healthy freight volumes, supported by an expanding customer base and a healthy share of business from the existing clients, leading to a growth in earnings and comfortable debt metrics. The company's revenue declined by ~21% in FY2024 owing to correction in container rates while the volumes remained flat. However, improved offtake from existing customers coupled with customer additions and increase in container rates are expected to aid in revenue recovery, resulting in a growth of 30-35% in FY2025. CLPL's margins contracted to 3.2% in FY2024 from 5.3% in FY2023 owing to a decline in scale of operations and losses incurred by its subsidiaries. However, the margins are expected to improve to some extent in FY2025, supported by increased scale of operations, resulting in better fixed cost absorption. The ratings favourably factor in the company's comfortable coverage metrics as well as adequate liquidity.

The rating considers CLPL's established track record of operations, supported by its wide geographical presence, and the promoters' extensive experience in the logistics industry. The ratings also consider the company's multi-modal nature of operations with established presence across air, sea and road transportation, catering to both imports and exports, insulating the company to some extent from volatile trade dynamics. The ratings further draw comfort from the company's established relationships with customers, an integrated nature of supply chain offerings like freight forwarding, custom clearance, warehousing, and third-party logistics (3PL) services, etc.

The rating is, however, constrained by high debtor days owing to the elongated receivables cycle in custom clearance business and high credit period offered to key customers. The company's margins are thin, inherent to the nature of operations as a freight forwarder. Besides, given its asset-light model, the company mainly relies on the fleet hired from the spot market and service providers like shipping lines and airline carriers. The profitability, hence, remains susceptible to intense competition,

volatile freight rates and foreign exchange (forex) rate fluctuations. Comfort, however, is derived from the fact that the company has been able to pass on a part of the increased freight costs to its customers in the past, albeit with some lag. The company's earnings prospects are closely associated with economic cycles and prevailing trade dynamics, but ICRA positively notes the company's established relationships with its clients.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that CLPL will record a healthy growth in revenues and earnings, supported by steady order inflow from its expanding client base and it will continue to benefit from its extensive track record of operations.

Key rating drivers and their description

Credit strengths

Long track record of operations and extensive experience of promoters — CLPL has an established operational track record of over two decades and a widespread network across India. The promoters have extensive experience in the logistics sector, which supported the business growth through sustained customer additions and maintaining good relationships with various vendors.

Multi-modal freight forwarding services — CLPL benefits from its established presence across air, ocean, and surface level transportation services. Its presence across the three modes of freight forwarding, coupled with its warehousing capabilities, helps the company in offering its clients integrated services throughout the supply chain. The company derived ~48% of its revenues from air freight, 34% from ocean freight, and the remaining from custom clearance and warehousing services in FY2024. The company enjoys healthy relationships and special arrangements with various airlines and airports (like the Mumbai International Airport Limited, or MIAL) for priority consolidations. The company also has tie-ups with various shipping service providers for multiple weekly sailing options. Its established relationships with service providers aid the company in offering seamless services.

Established relationships with reputed clientele across diversified sectors — CLPL has a customer base of reputed players, including Siemens Limited, Siemens Healthcare Limited, Tata Group companies, Hindustan Unilever Limited, etc, which results in modest counterparty credit risk. Its top five customers generated ~45% and ~47% of its revenues in FY2024 and 9M FY2025, respectively. Although its revenues contracted by ~21% to Rs. 762.5 crore in FY2024 from Rs. 964.7 crore in FY2023, owing to correction in freight rates, the same are expected to improve in FY2025 (estimated) by 30-35%, primarily led by increased order inflows from clients across various end-user industries like fast moving consumer goods (FMCG), consumer electronics, pharmaceuticals and automotives coupled with increase in freight rates. Further, the company continues to foray into new geographies and add new customers, which will augur well for its growth and revenue diversity.

Wide presence across various geographies — The company has a pan-India presence with more than 30 offices across 23 major cities in India. The company also has overseas presence through its subsidiaries in 11 countries across Asia, Europe, North America and Australia. The company's subsidiaries offer last-mile connectivity and local presence for its clients in India. CLPL is also planning to expand its presence on the back of demand from its existing customers. Its ability to successfully scale up in various new geographies and maintain the asset-light model with lower reliance on debt will be a key rating monitorable.

Credit challenges

Highly fragmented industry limits pricing power; exposed to fluctuating freight and forex rates — The freight forwarding and consolidation business in India is highly fragmented, with a major part of the business made up by the unorganised segment. The fragmented nature of the industry results in stiff competition, thereby exerting pressure on the profit margins. The company's margins are also exposed to volatility in container rates with respect to ocean freight, hire charges of road fleet and charges for air freight, which vary based on demand-supply dynamics. Comfort is derived from the periodic renewal of freight

rates with its clients and back-to-back arrangement with its service providers in the air freight segment. Further, the company's profitability remains exposed to fluctuations in forex rates, which is mitigated to some extent by the natural hedge.

Elongated receivable cycle — The company has an elongated receivables cycle in its custom clearance business and offers a high credit period to a key customer. CLPL's debtor days elongated to 117 days as on March 31, 2024 (previous year: 83 days) owing to increased credit period provided to key customers and increased revenues from custom clearance, which has a long receivables cycle. Improvement in debtor days remains a key monitorable.

Exposed to economic downturns and slowdown in international trade — The performance of the freight forwarding industry is linked to global economic activities, which impacts trade volumes, especially given the stiff competition in a highly fragmented industry structure. 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 and cash flows, as seen during the downcycles in FY2020 and FY2021, when its freight volumes, revenues and profitability declined due to weaker revenue growth and pandemic-led disruptions, respectively. Similarly, the volume growth remained flat in FY2024 owing to subdued global demand, however, decline in realisations on account of correction in freight rates led to revenue decline. Nevertheless, the company's asset-light model of operations and marquee customer profile mitigate the risk to some extent.

High customer concentration risk — CLPL's top five customers generated ~45% and ~47% of its revenues in FY2024 and 9M FY2025, respectively. This has been in the range of 40-50% in the last four years ended in FY2024. Comfort, however, is derived from the established relationships and long-term contracts with its customers. The strong business profile of its clientele also insulates the company to some extent from the concentration risk and downturn in economic cycles.

Liquidity position: Adequate

The company's liquidity position is adequate, marked by expected retained cash flow of Rs. 10-15 crore, healthy cash and bank balances of ~Rs. 10.9 crore (as on September 30, 2024) and undrawn working capital lines of ~Rs. 7.7 crore as on December 31, 2024. Against these sources of cash, CLPL has a capex plan of Rs. 10-12 crore and a debt repayment obligation of Rs. 7.0 crore in the next 12 months. The company also has undrawn term loans of Rs. 7-8 crore towards funding of the capex. ICRA expects the company to generate adequate cash flows to meet its capex needs and debt repayment.

Rating sensitivities

Positive factors – ICRA could upgrade CLPL's rating if there is sustained improvement in revenues and earnings, leading to improved liquidity and sustained improvement in TOL/TNW to less than 1.5 times.

Negative factors – Negative pressure on CLPL's rating could arise if there is a decline in revenues and operating margins, resulting in lower cash flows on a sustained basis. Deterioration in the working capital cycle, impacting the company's liquidity position, could also be a trigger for a rating downgrade. Specific credit metrics that could lead to a downgrade of CLPL's rating include an interest coverage below 3.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

CLPL was incorporated in 2001 by Late Sadananda Shetty and his associates as a third-party logistics service provider. The company has presence across the value chain in freight forwarding vertical and provides services such as air freight, ocean freight, contract logistics, surface transportation, customs clearances and brokerage, 3PL and warehouse management services for both import and export requirements of its clients. The company has a pan-India presence with more than 30 offices across 23 states and an overseas presence through its 11 subsidiaries across Asia, Africa, Europe and North America.

Key financial indicators (audited)

CLPL Consolidated	FY2023	FY2024
Operating income	964.7	762.5
PAT	28.5	12.0
OPBDIT/OI	5.3%	3.2%
PAT/OI	3.0%	1.6%
Total outside liabilities/Tangible net worth (times)	2.2	2.3
Total debt/OPBDIT (times)	0.9	2.6
Interest coverage (times)	9.9	4.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

CLPL Standalone	FY2023	FY2024	H1FY2025*
Operating income	899.1	637.8	469.0
PAT	30.8	14.0	11.7
OPBDIT/OI	5.5%	4.1%	4.2%
PAT/OI	3.4%	2.2%	2.5%
Total outside liabilities/Tangible net worth (times)	1.4	1.5	1.5
Total debt/OPBDIT (times)	0.8	2.2	1.6
Interest coverage (times)	10.9	5.5	6.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund based OD	Long term	6.00	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Fund-based CC	Long term	33.50	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Fund-based WCDL (Sub Limit)	Long term	(15.00)	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Non-fund Based BG (Sub Limit)	Long term	(2.00)	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Non-fund Based Credit Exposure Limit	Long term	1.25	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Non-fund Based Credit Exposure Limit (Sub Limit)	Long term	(5.00)	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Term Loan	Long term	25.82	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Non-fund Based – Working Capital	Long term	5.00	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Fund-based OD (Sub limit)	Long term	(5.00)	[ICRA]BBB+ (Stable)	Feb-09-24	[ICRA]BBB+ (Stable)	Dec-19-22	[ICRA]BBB+ (Stable)	-	-
Unallocated	Long term	5.80	[ICRA]BBB+ (Stable)	-	-	Dec-19-22	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based OD	Simple
Long term - Fund-based CC	Simple
Long term - Fund-based WCDL (Sub Limit)	Simple
Long term - Non-fund Based BG (Sub Limit)	Very Simple
Long term - Non-fund Based Credit Exposure Limit	Very Simple
Long term - Non-fund Based Credit Exposure Limit (Sub Limit)	Very Simple
Long term - Term Loan	Simple
Long term - Non-fund Based - Working capital	Simple
Long term - Fund-based OD (Sub limit)	Very Simple
Long term - Unallocated	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	Long term - Fund-based OD	-	-	-	6.00	[ICRA]BBB+ (Stable)
NA	Long term - Fund-based CC	-	-	-	33.50	[ICRA]BBB+ (Stable)
NA	Long term - Fund-based WCDL (Sub Limit)	-	-	-	(15.00)	[ICRA]BBB+ (Stable)
NA	Long term - Non-fund Based BG (Sub Limit)	-	-	-	(2.00)	[ICRA]BBB+ (Stable)
NA	Long term - Non-fund Based Credit Exposure Limit	-	-	-	1.25	[ICRA]BBB+ (Stable)
NA	Long term - Non-fund Based Credit Exposure Limit (Sub Limit)	-	-	-	(5.00)	[ICRA]BBB+ (Stable)
NA	Long term - Term Loan	FY2023	-	FY2038	11.83	[ICRA]BBB+ (Stable)
NA	Long term - Term Loan	FY2024	-	FY2034	2.59	[ICRA]BBB+ (Stable)
NA	Long term - Term Loan	FY2024	-	FY2031	11.40	[ICRA]BBB+ (Stable)
NA	Long term - Non-fund Based - Working capital	-	-	-	5.00	[ICRA]BBB+ (Stable)
NA	Long term - Fund-based OD (Sub limit)	-	-	-	(5.00)	[ICRA]BBB+ (Stable)
NA	Long term - Unallocated	-	-	-	5.80	[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

Company Name	CLPL Ownership	Consolidation Approach
Vriddhi Logitech Pvt Ltd	100%	Full Consolidation
Capricorn SCM Pvt Ltd	100%	Full Consolidation
Raj Clearing Agency	94%	Full Consolidation
Capricorn Logistics INC	100%	Full Consolidation
Capricorn Logistics HK Pvt Ltd	100%	Full Consolidation
Capricorn Global Logistics Pte. Ltd	100%	Full Consolidation
Capricorn Logistics Kenya Ltd	100%	Full Consolidation
Capricorn Logistics GMBH	100%	Full Consolidation
Capricorn Logistics (Shanghai) Ltd	100%	Full Consolidation
Capricorn Logistics Egypt	100%	Full Consolidation
Capricorn Logistics SRL	100%	Full Consolidation
Capricorn Logistics (Australia) Pty Ltd	100%	Full Consolidation
Capricorn Logistics Services Company	100%	Full Consolidation

Source: Company

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