August 24, 2021

Boxcoworld Logistics India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term - Fund Based Limits – Cash Credit	18.00	18.00	[ICRA]BBB- (Stable); reaffirmed
Short Term – Non-Fund Based Facilities	05.00	05.00	[ICRA]A3; reaffirmed
Total	**23.00**	**23.00**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings take into account the strong parentage of BWIPL and the holding company – Boxco Logistics India Private Limited (BLIPL – Rated [ICRA]BBB-(Stable)/[ICRA]A3) in the form of the J.M. Baxi Group, one of the leading end-to-end logistics players in the country having an integrated presence in the logistics value chain as well as port operations; the established track record and extensive experience of the management in the logistics industry. ICRA also takes into account BWIPL's asset light model with which the company operates. The ratings also consider the diversified client profile with repeat orders from strong industry players.

The ratings, however, are constrained by moderate working capital intensity owing to higher credit periods that the company offers to its clients, which is prevalent in the freight forwarding industry. The rating also factors in modest profit margins resulting from pricing pressure in the intensely competitive logistics industry. ICRA further notes the vulnerability of the company's operations to any slowdown in economy and variation in trade volumes.

The Stable outlook reflects ICRA's belief that BWIPL will continue to benefit from the extensive experience of its promoters, strong parentage and the favorable market conditions in medium term.

Key rating drivers and their description

Credit strengths

Strong parentage on account of being a part of JM Baxi group with diversified service offering – BWIPL is a subsidiary of BLIPL, a part of the Mumbai based end-to-end shipping-logistic industry major J. M. Baxi Group, which has a history of over 100 years in shipping logistics sector. J M Baxi & Co. is one of India's largest integrated shipping-logistic agency, handling a wide assortment of over 6,000 vessels per annum at major and minor Indian ports.

Asset light model with logistics support provided by parent company - BWIPL operates on highly asset light model. Logistics infrastructure required for inland transportation is provided by the group. The company has substantially lower fixed assets on its books.

Diversified client profile with repeat orders from strong industry players with lower customer concentration risk - Top customers' of BWIPL are reputed name in the various industries along with Public Sector Unit's with repeated orders. Customer concentration risk is low with the top 5 customers contributing 36% and 49% of total revenues in FY2020 and FY2021 respectively.

Credit challenges

Moderate working capital intensity – BWIPL has to extend substantial credit period to its customers, while it has to make advance payment to shipping companies. On account of this flexibility rendered to its clients which is prevalent in the freight forwarding industry, the company's working capital intensity of operations remains moderate.

Modest profit margins – 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 and as a result the operating profitability for BLIPL has remained modest at consolidated level over the last few years with operating margins registered at 2.4% in FY2021.

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

Liquidity position: Adequate

BWIPL's liquidity profile remains adequate supported by moderate net cash accruals and absence of long-term debt repayments. The company had a cash and bank balance of Rs 0.5 crore as on March 31, 2021 and the average working capital utilization stood at 72% for the 15-month period ended June 2021. Further, due to minimal capex outlay in the near-term and absence of term loan repayment obligation, liquidity is expected to remain moderate.

Rating sensitivities

Positive factors – ICRA could upgrade BWIPL's rating if the company demonstrates further improvement in operating profitability / scale of business with strong profit margin while maintaining healthy capital structure. Additionally, any improvement in credit metrics of the group may lead to upward revision of the rating.

Negative factors – Negative pressure on the rating could emerge if the company undertakes a sizeable debt-funded capital expenditure or acquisition, which impacts its capital structure and/or liquidity. Additionally, any significant deterioration in the company's operating margin driven by industry cycle impacting the liquidity or any deterioration in credit profile of the group may also warrant a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Group Company: JM Baxi Group. The rating assigned to BWIPL factors in the very high likelihood of the JM Baxi Group extending financial support to it because of close business linkages between them. We also expect the JM Baxi Group to be willing to extend financial support to BLIPL out of its need to protect its reputation from the consequences of a group entity's distress. There also exists a consistent track record of JM Baxi Group / International Cargo Terminal Private Limited having extended timely financial support to BLIPL in the past, whenever a need has arisen.
Consolidation/Standalone	Standalone

About the company

Boxcoworld Logistics India Private Limited (BWIPL) is a wholly owned subsidiary of Boxco Logistics India Private Limited (BLIPL) and is an international freight forwarding arm of the JM Baxi Group. J.M. Baxi group is an end to end logistics major having an experience of 100 years in the logistics and shipping industry. BWIPL provides sea and air freight forwarding services across the world by booking freight on carriers. In addition, its product portfolio includes contract and lead logistics, overland transportation and project management. The company provides sea and air custom clearance for both import and export of project, bulk, break bulk and containerized cargo. The company offers solutions for clearance under various schemes (EPCG, Advance License, SEZ, EOU etc), warehousing, reimport/re-export, exports under drawback etc.

As per FY2021 provisionals, the company reported a net profit of Rs. 5.9 crore on an operating income (OI) of Rs. 247.9 crore compared to a net profit of Rs. 7.3 crore on an OI of Rs. 250.0 crore in the previous year.

Key financial indicators (audited)

BWIPL Standalone	FY2019	FY2020	FY2021
Operating Income (Rs. crore)	209.1	250.0	247.9
PAT (Rs. crore)	5.2	4.7	7.3
OPBDIT/OI (%)	3.1%	2.9%	2.4%
RoCE (%)	40.8%	25.6%	34.8%
Total Outside Liabilities/Tangible Net Worth (times)	5.5	2.8	1.4
Total Debt/OPBDIT (times)	2.3	2.1	2.2
Interest Coverage (times)	5.7	6.6	3.4
DSCR (times)	5.3	5.6	5.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/ (Interest + Repayments made during the Year)

Source: Company, ICRA research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					24-Aug-21	**-**	**03-Mar-2020**	**-**
1	Fund-based – Cash Credit	Long Term	18.0	-	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable)	-
2	Non-fund Based Working Capital Facilities	Short Term	5.0	-	[ICRA]A3	-	[ICRA]A3	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash Credit	Simple
Non-Fund Based	Simple

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	18.0	[ICRA]BBB- (Stable)
NA	Non-Fund Based	NA	NA	NA	5.0	[ICRA]A3

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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