

June 27, 2022

Camions Logistics Solutions Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based - Proposed limits	10.0	[ICRA]BBB- (Stable); assigned
Total	10.0	

Rationale

The rating assigned to Camions Logistics Solutions Private Limited (CLSPL) favourably factors in the ramp-up in revenues witnessed over the years, with total revenues of Rs. 276.7 crore in FY2022 on a provisional basis against Rs. 196.8 crore in FY2021. The same is driven by growth in freight volumes handled, along with the favourable outlook for the e-commerce industry to which CLSPL primarily caters to, supported by a post-pandemic recovery in the logistics space. Moreover, the rating reflects CLSPL's favourable capital structure, supported by infusion of funds from reputed private equity investors that would drive its expansion plans.

The rating, however, remains constrained by CLSPL's modest profitability and weak return indicators, characterised by operating profit margin (OPM) of 3.17% and return on capital employed (ROCE) of 3.47% in FY2022, with the company being in its initial growth phase and nascent stage of operations. Additionally, while pricing ability remains limited in the backdrop of the intense competitive nature of business, CLSPL's margins also remain vulnerable to the fluctuations in fuel prices and hire charges for leased vehicles, given that it can pass on the increases only to an extent. The company's coverage metrics are also modest, reflected in the debt/OPBDITA of 6.48 times and DSCR of 1.06 times in FY2022. Further, CLSPL is exposed to high customer concentration risks as the top-three customers contribute above 70% of the total revenues; however, annual contracts with major customers lend comfort.

The Stable outlook on the long-term rating reflects ICRA's expectation 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 – Despite the slowdown in revenues during the first and second waves of the pandemic, CLSPL has exhibited a healthy growth in revenues in the last three financial years (CAGR of 72.8% during FY2019 to FY2022), driven by the growth in freight volumes handled. The company typically books the highest revenue during the festive season and from promotions provided by e-commerce players. Post the pandemic, the road logistics sector has witnessed a good recovery, which is expected to benefit players like CLSPL. The company's revenue growth is expected to continue with fleet expansion and other growth initiatives.

Healthy capital structure supported by fund infusion from private equity investors – The company's capital structure was healthy with the overall gearing of 0.44 times and TOL/TNW of 0.65 times as on March 31, 2022. CLSPL has raised substantial investments from Aavishkaar Bharat Fund (ABF) and Paragon Partners Growth Fund (PPGF), who have infused over Rs. 150 crore in multiple tranches from FY2019 to FY2022 in the form of equity and compulsorily convertible preference shares (CCPS). The company had a total bank debt of Rs. 29.7 crore outstanding as on March 31, 2022, in the form of commercial vehicle loans. The private equity investment is primarily expected to be utilised towards growth funding.

Favourable outlook for e-commerce industry - CLSPL predominantly caters to players in the e-commerce industry. The Indian e-commerce industry has been on an upward growth trajectory, supported by huge investments by global players, coupled with an increase in internet and smartphone penetration. Further, the Government of India's policies and regulatory frameworks such as 100% foreign direct investment (FDI) in B2B e-commerce and 100% FDI under automatic route under the marketplace model of e-commerce are expected to propel growth in the sector. The company caters to various demands across industry segments through e-commerce.

Credit challenges

Modest profitability and weak return indicators – The company being in its nascent stage of operations, the profitability was moderate with OPM of 3.17% in FY2022 (down from 5.57% in FY2021 owing to the impact of surging fuel prices), coupled with weak return indicators of ROCE at 3.47% in FY2022 (13.93% in FY2021). Hence, CLSPL's coverage metrics are modest given the modest operating profits and typical short tenor of its loans, reflected in debt/OPBDITA of 6.48 times and DSCR of 1.06 times in FY2022.

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.

High customer concentration risk; mitigated by yearly contracts with key customers – CLSPL derives more than 70% of its total revenues from three customers, thereby resulting in high concentration risk. However, it has yearly agreements in place with key customers, which mitigates this to an extent. Moreover, in addition to e-commerce, the company has clients from the packaging and liquor industries.

Highly competitive and fragmented industry – The road logistics sector is highly fragmented with most of the business being catered to by the unorganised segment. While there is 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

CLSPL's liquidity profile is adequate, supported by expected moderate cash accruals for FY2023, along with the presence of undrawn overdraft limits (Rs. 34.5 crore as of March 2022). Further, the company has sizeable cash balances as part of funds received from private equity players, which would primarily be utilised for growth funding; however, it may be used for working capital in case of any exigencies. The company has debt repayments of Rs. 11.2 crore and capex plans of Rs. 65 crore in FY2023, which are expected to be funded through a mix of term debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade CLSPL's rating if a healthy growth in operating income and improvement in profit margins on a sustained basis, leads to an improvement in its return metrics. A specific credit metric for an upgrade is if debt/OPBITDA is less than 2.8 times, on a sustained basis.

Negative factors – Pressure on CLSPL's 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 impacts the company's liquidity position. A specific credit metric for a downgrade is if DSCR is less than 1.2 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach - Hybrid instruments issued by corporate sector entities
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of CLSPL.

About the company

Camions Logistics Solutions Private Limited (CLSPL), incorporated in 2015, is part of the road logistics sector and operates through hybrid asset ownership models, which provides services across India with the major geography served being North India. The company is present in the full truck load (FTL) segment, whilst providing express logistics services mainly for the e-commerce segment. CLSPL operates through a hybrid asset ownership model with a combination of owned fleet and those being hired through third-party vendors. CLSPL has around 340 vehicles (primarily owned) and has tie-ups for additional vehicles from dedicated vendors, leading to an average fleet of 600 vehicles under active management.

Key financial indicators (audited)

CLSPL	FY2020	FY2021	FY2022 (Provisional)
Operating Income (Rs. crore)	139.5	196.8	276.6
PAT (Rs. crore)	-1.2	5.5	1.5
OPBDIT/OI (%)	3.0%	5.6%	3.2%
PAT/OI (%)	-0.9%	2.8%	0.5%
Total Outside Liabilities/Tangible Net Worth (times)*	0.9	1.0	0.7
Total Debt/OPBDIT (times)*	3.9	2.2	6.5
Interest Coverage (times)	3.2	5.4	3.7

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation

*as per ICRA rating approach for hybrid instruments

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as Mar 31, 2022 (Rs. crore)	Date & Rating in June 27, 2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
1	Fund-based proposed limits	Long-term	10.0	--	[ICRA] BBB- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Proposed limits	NA

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: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Proposed limits	--	--	--	10.0	[ICRA]BBB- (Stable)

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

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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Sheetal Sharad
+91 124 4545 374
sheetal.sharad@icraindia.com

Susovan Mondal
+91 124 4545 392
susovan.mondal@icraindia.com

Karan Punjabi
+91 022 6169 3358
karan.punjabi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.