

**MAHESHWARI LOGISTICS LIMITED**

**Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 176.63 Crores of Maheshwari Logistics Limited ( MLL or The ‘Company’) with outlook revised to ‘Negative’**

**Particulars:**

Instruments / Facilities* *	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (March, 2020)	Present
<b>Fund based</b>	<b>115.43</b>	<b>115.43</b>	<b>Long Term</b>	<b>BWR A- Stable</b>	<b>BWR A- Negative Reaffirmed with change in outlook to ‘Negative’</b>
<b>Non Fund Based</b>	<b>61.20</b>	<b>61.20</b>	<b>Short Term</b>	<b>BWR A2+</b>	<b>BWR A2+ Reaffirmed</b>
<b>Total</b>	<b>176.63</b>	<b>176.63</b>	<b>₹. One Hundred and Seventy Six Crores and Sixty Three Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank Loan facilities is provided in Annexure-1

**Ratings:** BWR has revised its outlook on the long term bank facilities of Maheshwari Logistics Limited (MLLL) to 'Negative' from 'stable' while reaffirming the rating at 'BWR A-'. The short term rating has been reaffirmed at 'BWR A2+'.

**RATING ACTION / OUTLOOK**

The revision in outlook is primarily on account of expected moderation in MLL’s operating performance on account of subdued demand, overall economic slow down amid Covid 19 pandemic. MLL’s operations were adversely affected in April and May 2020 following the nationwide lockdown for about two months. Further the operations are expected to remain affected for H1FY21 resultantly the revenue is expected to remain comparatively low thereby affecting the overall financial strength and margins as well as liquidity for first two quarters.



The ratings continue to derive strength from the experienced management along with an established track record of MLL, reputed clientele and diversified revenue profile. The ratings also take due cognisance of gradual improvement in profitability from the past four years. The ratings, however, are constrained by moderate financial risk profile, working capital intensive nature of business and exposure to regulatory risks associated with coal consumption .

## **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

### **KEY RATING DRIVERS**

#### **Credit Strengths:**

**Experienced and competent management:** MLL has an established presence since 2006 and has a management with an experience of around 2 decades adding value to the organization through their expertise.

**Diversified Revenue profile:** MLL derives revenues through three key segments. i.e. trading activities, logistics and transportation services and kraft paper manufacturing. The company reported total operating income of Rs 1037.07 Crs in FY19 which has come down to Rs 760 Crs in FY20 mainly on account of excessive rain due to the elongated monsoon season which has impacted trading and transportation revenue to a large extent.

#### **Credit Risks:**

**Thin profit margins:** Trading activity accounts for around 50% of company's revenue leading to low profit margins attributed to the inherent nature of the trading industry. MLL has thin yet improving NPM of 1.93% and OPM of 7.01% in FY20 against 1.43% and 4.83% in FY19.

**Moderate financial risk profile:** Financial risk profile is moderate, with moderate capital structure and debt protection metrics. Networth and Gearing stood at Rs 129 Crs and 1.81 times respectively in FY20. Debt protection metrics remained comfortable, with ISCR at 2.50 times; DSCR at 1.17 times and net cash accrual to total debt ratios of 0.22 times for FY20.

**Impact of Covid 19:** The company has three key revenue streams which would get adversely impacted by Covid 19 pandemic. The performance of last quarter of FY20 was muted due to lockdown on account of Covid 19. The company is expecting to resume normal operations from the third quarter of current year. With the prevailing situation, operating performance is expected to remain moderate for FY21 considering overall economic slowdown amid Covid 19 pandemic.

**Exposure to government regulations:** Trade of coal contributes around 50% of the total revenue in FY20. Hence, coal being a critical natural resource, adhering to regulatory guidelines and adapting the same remain a concern. Further, the company operates in a regulated environment where any change in government regulation could affect the business operations.



## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

### **Positive :**

A rating upgrade is unlikely in the near term. However, BWR could revise the rating if it demonstrates substantial growth in revenue and profitability along with an improvement in its liquidity profile.

### **Negative :**

Negative pressure on the ratings could arise from weak performance and deterioration in liquidity or leverage metrics.

## **LIQUIDITY POSITION: Adequate**

Liquidity position for the company remains adequate. For FY20, Net cash accruals were 26.58 Crs against debt repayment of around 15 Crs. The company has overall repayment obligations of around Rs 15 Crs in FY21 which is expected to be supported by accruals . Further, Current ratio is adequate at 1.49times in FY20 and Debt protection metrics also remained comfortable, with ISCR at 2.50 times; DSCR at 1.17 times and net cash accrual to total debt ratios of 0.22 times for FY20. However, the company is highly dependent on bank borrowings to fund its working capital requirements. Consequently Average Cash credit utilization is around 90% for past years. MLL has applied for moratorium as per Reserve Bank of India's circular.

## **COMPANY PROFILE**

Maheshwari Logistics Limited (MLL) was incorporated in 2006 as Pvt Ltd. company and converted to a limited company in Dec 2016, The company is engaged in paper and coal trading, coal screening and providing logistics support for primarily meeting coal demands of various industries such as chemical, cement, paper, etc. MLL has taken over Daman Ganga Recycled Resources LLP through which the company has expanded its manufacturing of Kraft Paper facility vide Plant and Equipment Operating agreement. Further, MLL has entered into backward integration by way of setting up 5 collection centres at Fountain, Bhiwandi & Boisar in Thane District, Shilphata in Navi Mumbai and Surat, where it collects the Waste Paper from nearby areas and supplies it to the Kraft Paper manufacturing unit. The company has presence across India through its 21 offices at key locations. The company has a coal screening facility in

Vapi, Gujarat. Maheshwari Logistics provides transportation facilities for mainly lignite coal and pet coke to various industries which use them in boilers. The company has a 105-truck in-house fleet to support its logistics operation. The balance requirement of about 7000-7500 trucks is met on hire basis.

MLL is promoted by Mr. Vinay Maheshwari, Mr. Amit Maheshwari, Mr. Vipul Vashi and Mr. Varun Kabra having an experience of around 2 decades.

#### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY20	FY19
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	760.89	1037.07
EBITDA	Rs in Crs	53.36	50.05
PAT	Rs in Crs	14.06	14.80
Tangible Net worth	Rs in Crs	129.00	116.27
TOL/TNW	Times	1.81	2.22
Current Ratio	Times	1.49	1.19

#### NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY

ICRA migrated MLL's rating to Issuer did not cooperate, ICRA BB+/A3 on 25th February 2020 on the account of non availability of information.

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (Rs.Crs.)	Rating	19 March, 2020	27 March, 2019	09 March, 2018
Fund Based	Long Term	115.43	BWR A-Negative	BWR A-Stable	BWR A-Stable	BWR A-Stable
Non Fund Based	Short Term	61.20	BWR A2+	BWR A2+	BWR A2+	BWR A2+
Total		176.63	₹ One Hundred and Seventy Six Crores and SixtyThree Lakhs Only			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

**General Criteria**

**Approach to Financial Ratios**

**Short Term Debt**

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*Maheshwari Logistics Limited*

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	₹ Total (₹ Cr)
1.	State Bank of India	Cash Credit	47.00	0.00	47.00
		SLC	3.00	0.00	3.00
		Letter of Credit	0.00	38.00	38.00
		CEL	0.00	0.70	0.70
2.	Axis Bank	Cash Credit	5.00	0.00	5.00
		Letter of Credit	0.00	20.00	20.00
		CEL	0.00	2.50	2.50
3.	Hero Fin Corp Ltd	Term Loan	2.68	0.00	2.68
4.	Aditya Birla Finance Ltd	Term Loan	54.75	0.00	54.75
		WCDL	3.00	0.00	3.00
<b>TOTAL</b>					176.63

**Total Rupees One Hundred and Seventy Six Crores and Sixty Three Lakhs only.**



**For print and digital media**

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