

## India Ratings Affirms EFC Logistics India's Bank Facilities at 'IND BBB'/Stable

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India Ratings and Research (Ind-Ra) has affirmed EFC Logistics India Private Limited's (EFC) bank facilities as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR390	IND BBB/Stable	Affirmed
Non-fund-based working capital limits	-	-	-	INR75	IND A3+	Affirmed
Term loan	-	-	FY29	INR125 (reduced from INR213.7)	IND BBB/Stable	Affirmed
Fund-based working capital limits	-	-	-	INR60	IND BBB /Stable	Assigned
Non-fund-based working capital limits	-	-	-	INR150	IND A3+	Assigned

### Key Rating Drivers

**Increase in Revenue in FY23; Medium Scale of Operations:** EFC's revenue grew around 11.41% yoy to INR4,056.86 million in FY23 (FY22: INR3,641.35 million), mainly due to the stable demand from the container freight stations (CFS) and transportation segment and an increase in the freight revenue due to an expansion of its fleet to around 700 owned vehicles from 500 earlier. The company's revenue is largely driven by freight income (FY23: 70.07%; FY22: 68.85%), followed by CFS (23.08%; 24.17%). EFC booked a revenue of INR2,000 million in 5MFY23. Ind-Ra expects the revenue to improve over the medium term on account of the addition of new vehicles, along with an expansion of EFC's warehousing and CFS segments.

**Sustenance of Average Profitability:** The profitability remained average at around 10.33% in FY23 (FY22: 10.22%) with an absolute EBITDA of INR419.07 million (INR372.15 million). The return on capital employed was 11.20% in FY23 (FY22: 13.3%). The margins are majorly dependent upon the lorry freight & the fuel cost. Ind-Ra expects the margin to remain at similar levels in FY24 on account of the similar nature of operations and the company's price escalation clause with its customers.

**Moderate Credit Metrics:** EFC's gross interest coverage (operating EBITDAR/gross interest expense + rents) deteriorated to 3.80x in FY23 (FY22: 4.52x) and its net leverage (adjusted net debt/operating EBITDAR) to 3.98x (3.17x) due to an increase in its gross interest expense to INR110.37 million (INR82.36 million) on account of increase in debt to INR1,701.04 million (INR1,203.98 million). The company further availed INR480 million of term loans to fund the capex during FY23. Ind-Ra believes the credit metrics will remain moderate in FY24 on the back of average profitability and high debt.

**Liquidity Indicator - Adequate:** EFC had cash and equivalents of about INR32.98 million at FYE23 (FYE22: INR24.45 million).

The average utilisation of its fund-based working capital limits was around 83% during the 12 months ended August 2023. Furthermore, the company has been incurring capex regularly to increase the capacity of facilities, to buy new vehicles to increase the capacity of the transportation segment, and simultaneously to replace the vehicles that are older than 15 years. The capex requirements are largely funded through bank loans, and the remaining through internal accruals. As a result, the company has high debt in the books and high debt repayments over FY24-FY26 (FY24: INR234.8 million; FY25: INR267.7 million). The company infused around INR480 million of term loans in FY23 to fund the capex requirements. The cash flow from operations remained adequate and increased to INR103.47 million in FY23 (FY22: INR83.93 million) due to the increase in the operating EBITDA of the company. Ind-Ra expects the cash flow from operations to improve in FY24, on account of a likely improvement in the operating EBITDA. The working capital cycle improved to 51 days in FY23 (FY22: 53 days) on account of an improvement in the debtor days to 59 (61). Furthermore, the liquidity is supported by the discounting facility extended by Procter & Gamble Home Products (I) (highest revenue contributor). EFC does not have any capital market exposure and relies only on banks and financial institutions to meet its funding requirements.

**Promoter’s Experience; Reputed Customer Base:** The company’s promoters have more than three decades of experience in providing logistic services, which has helped it establish and maintain strong relationships with a diversified and reputed customer base and has ensured repeat business. The company’s customers include Haldia Petrochemicals Ltd., Procter & Gamble Home Products (I) Ltd., and CEAT Limited (‘IND AA/Stable’).

**Moderate Asset Intensive Business Model:** EFC possesses a fleet of around 700 owned vehicles. This comprises various types of trucks, trailers and towing trailers along with cranes, forklifts among others. In addition, the company can hire around 1,000 vehicles based on its requirement. This allows for better-fixed costs absorption through low fixed costs and better capacity utilization of the existing fleet. This also provides the company with the flexibility to cut down its fleet requirements during an economic downturn.

**Highly Fragmented Industry & Susceptibility to Slowdown:** The logistics industry in India is dominated by the presence of several local players catering to localised markets. The organised players account for only 10%-15% of the industry. EFC faces intense competition from the unorganised players. The fragmented nature of industry could constrain the pricing power and the operating profit margin of the company; also, the performance of the logistics industry is directly related to global economic activities.

## Rating Sensitivities

**Positive:** An improvement in the scale of operations, along with sustained profitability leading to an improvement in the liquidity and the net leverage reducing below 3.0x, all on a sustained basis, could lead to positive rating action.

**Negative:** A decline in the scale of operations, resulting in deterioration in the credit metrics, with the net leverage exceeding 4.0x and/or a weakening of the liquidity position, all on a sustained basis, could lead to a negative rating action.

## Company Profile

Incorporated in 1983, EFC provides logistics and transportation services to industrial sectors such as fast-moving consumer goods, steel, petrochemicals, paper, lubricants, pharmaceuticals, and engineering goods, cements, chemicals and import-export containers. EFC has around 500 owned vehicles, various warehouses at three locations and operates a container freight station near Jawaharlal Nehru Port Trust port.

### FINANCIAL SUMMARY

Particulars (INR million)	FY23	FY22
Revenue	4,056.86	3,641.35
EBITDA	419.07	372.15
EBITDA margins (%)	10.33	10.22
Interest coverage (x)	3.80	4.52
Net leverage	3.98	3.17
Source: EFC, Ind-Ra		

# Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook				
				18 September 2023	17 May 2023	8 March 2022	19 February 2021	27 December 2019
Issuer Rating	Long-term	-	-	WD	IND BBB/ (ISSUER NOT COOPERATING)	IND BBB/Stable	IND BBB/Stable	IND BBB-/Stable
Fund-based working capital limit	Long-term	INR450	IND BBB/Stable	-	IND BBB/ (ISSUER NOT COOPERATING)	IND BBB/Stable	IND BBB/Stable	IND BBB-/Stable
Non-fund-based working capital limit	Short-term	INR225	INDA3+	-	IND A3+ (ISSUER NOT COOPERATING)	IND A3+	IND A3+	IND A3
Term loan	Long-term	INR125	IND BBB/Stable	-	IND BBB/ (ISSUER NOT COOPERATING)	IND BBB/Stable	IND BBB/Stable	IND BBB-/Stable

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Term loan	Low

For details on the complexity level of the instruments, please visit [https://www.indiaratings.co.in/complexity-indicators\\_](https://www.indiaratings.co.in/complexity-indicators_)

## APPLICABLE CRITERIA

**Evaluating Corporate Governance**

**Short-Term Ratings Criteria for Non-Financial Corporates**

**Corporate Rating Methodology**

**Guidelines on What Constitutes Non-Cooperation**

**The Rating Process**

## DETAILED FINANCIAL SUMMARY

**Click Here to Download**

# Contact

## Primary Analyst

Priya Gupta

Senior Research Associate

India Ratings and Research Pvt Ltd

DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002

+91 124 6687254

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

## Secondary Analyst

Deepti Bohra

Analyst

## Chairperson

Abhash Sharma

Senior Director

+91 22 40001778

## Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

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