



## Press Release

**NTC Logistics India Pvt Ltd**

**February 01, 2024**

### Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Non-Convertible Debentures	21.00 (Reduced from 36.00)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Downgraded	Simple
Long Term Bank Facilities	146.25 (Reduced from 151.63)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Downgraded	Simple
Short Term Bank Facilities	54.20	IVR A4+ (IVR A Four Plus)	Downgraded	Simple
Proposed Long Term Bank Facilities	- (Reduced from 40.00)	IVR BB+ / Stable and Withdrawn (IVR Double B Plus with Stable Outlook and Withdrawn)	Downgraded and Withdrawn	Simple
<b>Total</b>	<b>221.45</b> <b>(Rupees Two hundred twenty-one crore and forty-five lakhs only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale:

Infomerics has downgraded the rating assigned to the non-convertible debentures and bank facilities of NTC Logistics India Pvt Ltd (NTC) due to moderation in revenues and profitability, stretched liquidity, elongated working capital cycle marked by high receivables and continued below average debt protection metrics. The ratings continue to factor in experienced promoters with long operational track record in the logistics industry, diversified revenue streams providing end to end integrated solutions, reputed clientele and adequate order book in the renewables division. The ratings strengths continue to be partially offset by presence in highly fragmented and competitive industry, with revenues susceptible to economic downturns and slowdowns.

Infomerics has downgraded and simultaneously withdrawn the ratings assigned to the proposed long term bank facilities at the request of the company as no monies are mobilised against the said rating. The rating is withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.



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### Key Rating Sensitivities

#### Upward Factors

- Sustained improvement in the scale of operations along with concomitant improvement in profitability.
- Sustained improvement in receivable days improving liquidity.
- Sustained improvement in TOL/TNW to below 2x.

#### Downward Factors

- Moderation in revenue and profitability impacting debt protection metrics.
- Deterioration in working capital cycle thus weakening the liquidity position.
- TOL/TNW exceeding 3 times, DSCR below unity and interest coverage below 1.5 times on a sustained basis.
- Any significant debt funded capex impacting leverage and debt protection metrics.

### Key Rating Drivers with detailed description:

#### Key Rating Strengths:

##### Experienced promoters with long operational track record

The promoter, Mr. K. Chandramohan, founder and managing director of the company has over two decades of experience in the field of logistics solution business which helps build long standing relationship with customers. Mr. Thillaiarasan, Director, fleet operation and special projects handles the designing of fleets to make them operate in adverse climatic situation. The directors are well supported by qualified and experienced professionals.

##### Diversified revenue streams

NTC's business profile can be divided into project logistics and contract logistics. Project logistics is further sub-categorized into Renewables – Wind, Solar and Hydro and Projects and Heavy Engineering (P&E) and Contract Logistics is sub-categorized into Customs House Agency (CHA), Freight Forwarding (FF) operations and General Transportation (GT). Renewables contributed (48%), P&E (11%), FF (19%), CHA (8%) and GT (14%) to the total revenue in FY23. NTC is an integrated logistics solution provider. It has developed into a leading renewable logistics player in the country that possesses the necessary assets & manpower in multimodal movements of equipment overseas & within India.



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### **Long standing relationship with reputed clientele and adequate order book**

NTC has an established customer base of reputed players like Bharat Heavy Electricals Ltd, BEML, GE India, L&T Hydrocarbons Siemens Gamesa, Vestas, Renew, JSW Steel etc. The longstanding relationship with clients translates into repeat business for the company. The company has an approximate order book of Rs.458 crore as on December 31, 2023, for the renewable division.

### **Key Rating Weaknesses:**

#### **Moderation in revenues and profitability**

The revenues have remained stagnant at Rs.887.46 crore in FY23 as against Rs. 890.70 crore in FY22. In absolute terms EBITDA has also remained similar at Rs.79.91crores in FY22 and Rs.79.93 crores in FY23. EBITDA margin has slightly moderated from 9.77% in FY22 to 8.97% in FY23. PAT has reduced to Rs.2.24 crores in FY23 vis a vis Rs.5.41 crores in FY22 on account of higher interest charges. PAT margin has accordingly moderated from 0.60% in FY22 to 0.25% in FY23.

In H1FY24 (unaudited) the company has achieved revenues of Rs. 349.26 crores and EBITDA of Rs.36.22 crore and PAT of Rs.0.92 crore. EBITDA margin is 10.49% and PAT margin is 0.27%. Drastic fall in freight rates have resulted in lower profitability in H1FY24 (Unaudited). Going forward, the company is shifting focus back to Project Logistics – ODC movements where the margins are high. Thus, the company expects profitability to improve during H2FY24, which will be a key rating monitorable.

#### **Below average debt protection metrics**

Overall gearing and TOL/TNW continue at similar levels at 2.15x and 2.85x respectively as on March 31, 2023, vis a vis 2.31x and 2.91x respectively as on March 31, 2022. The reliance on working capital borrowings and GECL loans to fund the debtors has resulted in higher TOL/TNW ratio of above 2x in the last three years ending FY23.

Interest coverage has moderated from 1.51x in FY22 to 1.29x in FY23. DSCR continues to be below unity due to high repayments since the last two years. In FY23 the holding company has infused Rs.20 crores through Rs.5 crore equity infusion and Rs.15 crore adjusted against loans & advances to group companies. NTC has further received Rs.55 crores from group companies against loans and advances extended to them. This has helped the company meet its debt repayment obligations. Total debt to GCA continues to be high at 12x in FY23 and 11x in FY22.



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### **Elongated working capital cycle marked by high receivables**

The company's operations are working capital intensive, with an elongated receivable and relatively shorter payables period. The working capital limits are almost fully utilised showing high dependency on working capital borrowings to meet the cash flow mismatches. NTC's debtor days continue to be high at 108 days in FY23 and 103 days in FY22. Revenues from renewable energy sector have a long receivables cycle. Improvement in collection performance as reflected in debtor days remains a monitorable.

### **Geographical concentration**

More than 80% of the business is generated from Tamil Nadu in the last three years. Comfort however is taken from the long-standing relationship with its customers, who are well known names in their industry and the repeat orders. Also, ~50% revenues come from orders in the renewable energy sector. Any adverse changes in this sector could impact the revenues of NTC.

### **Highly fragmented and competitive industry and revenues susceptible to economic downturns and slowdowns**

The Indian logistics industry has a high degree of fragmentation with the presence of large-scale players and the industry also has opportunities for new entrants and emerging players. Since logistics is a global industry, the global operators are also major competitors thus affecting the bargaining power and profit margins to great extent. However, NTCL is a major logistics provider in the more specialised renewable energy sector, where entry barriers are significantly high, thus limiting the threat of any new entrants to a certain extent.

The performance of the logistics industry is also directly linked to global economic activities. Any slowdown in the manufacturing/industrial activities, due to weak economic conditions, can have a negative impact on the company's revenues and its cash flows, as was seen during the pandemic led disruptions. However, the company's established presence across the chain in the logistics industry and strong clientele mitigate the risk to some extent.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service Sector](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Policy on Withdrawal of Ratings](#)

**Liquidity – Stretched**

NTC's utilization of working capital is ~98% over the last 12 months ended December 2023, on account of the stretched receivables position of around 108 days as on March 31, 2023. The company has been highly dependent on working capital borrowings and GECL loans to fund its operations. EBITDA of ~Rs.80 crores comfortably covers the interest cost of ~Rs.61 crores during FY23. During FY23, NTC Holdings P Ltd, the holding company has brought in Rs.20 crores through asset monetization, out of which Rs.5 crores was infused as equity in NTC, and the balance has been adjusted against the advances in the books of NTC Logistics India P Ltd. During FY23, NTC has also received Rs.55 crores from its group companies which has been adjusted against the advances in the books. Thus, helped the company to meet debt repayment obligations in FY23. The projected cash accruals in FY24 and FY25 are not sufficient to meet the debt repayment obligations of ~Rs.82 crores and ~Rs.78 crores for the same period. The company is highly dependent on promoter funding for meeting its debt repayment obligations. Cash and cash equivalents were ~Rs.5.92 crore as on March 31, 2023.

**About the company**

Originally incorporated as NTC Logistics Pvt Ltd on January 1, 2008, subsequently its name was changed to NTC Logistics India Pvt Ltd on December 28, 2017. NTC is a leading renewable logistics provider in India. It specialises in handling project logistics and over dimensional cargo offering end-to-end integrated solutions in the supply chain management space. NTC's business profile can be divided into project logistics and contract logistics. Project logistics is further categorised into 2 divisions viz (i) Renewables – Wind, Solar and Hydro and (ii) Projects and Heavy Engineering and Contract Logistics, which is categorised into (i) Customs House Agency (ii) Freight Forwarding operations and (iii) Transportation.



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### Financials:

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	890.70	887.46
EBITDA	79.91	79.93
PAT	5.41	2.24
Total Debt	418.95	405.78
Tangible Net Worth	181.07	188.50
<b>Ratios</b>		
EBITDA Margin (%)	8.97	9.01
PAT Margin (%)	0.60	0.25
Overall Gearing Ratio (x)	2.31	2.15

\*As per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

### Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Non-convertible debentures	Long Term	21.00	IVR BB+/Stable	IVR BBB-/Stable (February 03, 2023)	-	-
2.	Cash Credit	Long Term	103.25	IVR BB+/Stable	IVR BBB-/Stable (February 03, 2023)	-	-
3.	Overdraft	Long Term	41.75	IVR BB+/Stable	IVR BBB-/Stable (February 03, 2023)	-	-
4.	WCTL	Long Term	1.25	IVR BB+/Stable	IVR BBB-/Stable (February 03, 2023)	-	-
5.	Sales Invoice Discounting	Short Term	40.00	IVR A4+	IVR A3 (February 03, 2023)	-	-





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		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
6.	Bank Guarantee	Short Term	14.20	IVR A4+	IVR A3 (February 03, 2023)	-	-
7.	Proposed	Long Term	-	IVR BB+/Stable and Withdrawn	IVR BBB-/Stable (February 03, 2023)	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which help corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit [www.infomerics.com](http://www.infomerics.com).



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and 7 information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors

### Annexure 1: Details of Facilities/Instruments:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Non-convertible debentures	07-09-2022	14.75%	30-09-2025	21.00	IVR BB+/Stable
Cash Credit	-	-	-	103.25	IVR BB+/Stable
Overdraft	-	-	-	41.75	IVR BB+/Stable
WCTL	-	-	31-01-2024	1.25	IVR BB+/Stable
Sales Invoice Discounting	-	-	-	40.00	IVR A4+
Bank Guarantee	-	-	-	14.20	IVR A4+
Proposed	-	-	-	-	IVR BB+/ Stable and Withdrawn

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-NTC-1feb24.pdf>





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### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of Trustee	Catalyst Trusteeship Limited
Instrument Description	14.75% Rated, Unlisted, Senior, Secured, Redeemable, Taxable, Non-convertible Debentures issued on Private Placement Date of Maturity 30-09-2025
Issue Size	INR 36 crores (Indian Rupees Thirty-Six Crores Only)
ISIN No	INE0JT207010
Date of Allotment	07-09-2022
<b>Financial Covenants</b>	
Redemption Date	Quarterly in 12 equal instalments of INR 3 crores each 30-09-2025
Coupon Rate	14.75%
Coupon Repayment timeline	Quarterly
DSRA	Amount equalling next 1 quarter of Principal and Interest to be maintained as DSRA in bank fixed deposits lien marked exclusively to this facility at all times.
Other Financial covenants	<ul style="list-style-type: none"> <li>Debt/EBITDA of NTC Logistics to be &lt;6.5x till March 2023, and &lt;5.5x from April 2023 and &lt;4.5x from April 2024. To be tested quarterly.</li> <li>Consolidated Debt/TNW of NTC Holdings Pvt Ltd (Consolidated) to be &lt;2.25x. To be tested quarterly</li> <li>Quarterly PAT &gt;0</li> <li>No additional debt to be taken at NTC Logistics Pvt Ltd without obtaining prior approval, except for working capital &amp; commercial vehicle finance.</li> <li>Group Loans/Investments/Advances in all forms and manners from NTC Logistics Pvt Limited to reduce by INR 20 crores by June 2023 from March 2022 balance sheet number. The same should reduce by another INR 30 crores by March 2024 from March 2023 balance sheet number. The same should be reduced by another INR 30 crores by March 2025 from March 2024 balance sheet number. For abundant clarity, a total reduction of INR 80 crores would be achieved by the Issuer in three years in a phased manner.</li> </ul>
<b>Non – Financial Covenants</b>	
Objective/ Purpose of the Issue	For operational and business investment requirements of the Issuer
Rating covenant	Early redemption at a rating below BBB- by any rating entity for senior secured instruments. A coupon step-up of 50 bps is applicable for each notch downgrade.
Reporting Covenants	To consist of monthly, quarterly and annual data, reports, and regular MIS data packs. This will cover both. Issuer to provide requested information on a timely basis to investors.



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Early Redemption Covenants	<p>The Issuer covenants to the below points, failing which early redemption would be triggered where the investor has the option to accelerate all outstanding debt:</p> <ul style="list-style-type: none"><li>• Firm offers for equity infusion to be obtained by company by March 2023</li><li>• At least INR 100 crores of equity to be infused as primary equity into NTC Holdings Pvt and/or Group companies on or before September 30, 2023</li><li>• All internal cash accruals from Shreevari Energy Systems post servicing of standalone debt, must be used to retire Group loans and advances availed from NTC Logistics and NTC Holdings (in that order)</li></ul>
Others	<p>Mr. Raaja Sundaram and Mr Chandramohan to continue being part of the company Board in their capacity as Joint Managing Director and Managing Director respectively</p>

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it based on complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

