



## Press Release

**NTC Logistics India Pvt Ltd**

**February 03, 2023**

### Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund based facilities Non-Convertible Debentures	36.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities	151.63	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	54.20	IVR A3 (IVR A Three)	Assigned	Simple
Proposed Long Term Bank Facilities	40.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>281.83</b> <b>(Rupees Two hundred eighty-one crore and eighty-three lakhs only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale:

The rating assigned to the bank facilities and non-convertible debentures of NTC Logistics India Pvt Ltd (NTC) derives strength from experienced promoters with long operational track record in the logistics industry, diversified revenue streams from providing end to end integrated solutions, reputed clientele, adequate order book, increase in scale of operations and profitability in FY22. These strengths are partially offset by elongated working capital cycle marked by high receivables, average debt protection metrics, high customer and order book concentration, highly fragmented and competitive industry, with revenues susceptible to economic downturns and slowdowns.

### Key Rating Sensitivities

#### Upward Factors

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



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### **Downward Factors**

- Decline in revenue and profitability metrics.
- Deterioration in working capital cycle thus weakening the liquidity position.
- Total Debt/TNW exceeding 2.5 times, DSCR below unity and interest coverage below 1.5 times on a sustained basis.
- Any significant debt funded capital expenditure.

### **Key Rating Drivers with detailed description:**

#### **Key Rating Strengths:**

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

The promoters have over two decades of experience in the field of logistics solution business. Relevant experience of promoters helps them attract strong customer base. Mr. K. Chandramohan, founder and managing director of the company has more than 25 years of experience in strategizing the business making NTC a global logistics solution provider. Mr. Thillaiarasan who is the director in 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 sub-categorised into 2 divisions viz (i) Renewables – Wind, Solar and Hydro and (ii) Projects and Heavy Engineering (P&E) and Contract Logistics is sub-categorised into i) Customs House Agency (CHA) (ii) Freight Forwarding (FF) operations and (iii) Transportation. Renewables, P&E, FF & CHA and Transportation contributed 56%, 4%, 31% and 9%, respectively, to its revenue in FY22. NTC is an integrated logistics solution provider. NTC 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. It offers end-to-end service in the construction of wind, hydro, and solar energy plants.

##### **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 relationships with clients translates into repeat business for the company. During



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FY22, the top 5 customers contributed ~90% of the total revenue of the company. The company has a total order book of Rs.405.64 crores on hand across divisions as on December 31, 2022. The renewable division makes up 72%, projects division 15% and transportation division 13% of the total order book.

### **Recovery in scale of operations and profitability in FY22.**

The company's operating revenue has increased in FY22 by 38% from Rs. 642.70 crore in FY21 to Rs. 890.7 crore in FY22. The outbreak of Covid-19 impacted the logistics industry and pandemic-induced restrictions led to muted business for NTC resultantly the company booked net losses during FY20 & FY21. With the relaxations in the lockdown restrictions, the company could turn around steadily, recording a stable performance during FY22. In FY22 the company has reported EBITDA and PAT of Rs. 79.91crores and Rs.5.41 crores. Also, the pickup in the infrastructure sector helped the company's performance reaching pre-Covid levels.

### **Key Rating Weaknesses:**

#### **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 improved from 143 days in FY21 to 103 days in FY22 but still remain high. Revenues from renewable energy sector have a long receivables cycle. However, the sustenance of improvement in debtor days remains a monitorable.

#### **Average debt protection metrics**

Total Debt/Tangible net worth was 2.31 times and Total outside liabilities/Tangible net worth was 2.91 times 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 FY22. Debt protection metrics for FY21 were impacted by the net loss. However, considering the deferment of scheduled term loan repayments under Covid-relief package, DSCR was adequate. In FY22 the DSCR continues to be weak due to high repayments.



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### **High customer and order book concentration**

The top 5 customers contribute 90% of the revenue in FY22 leading to customer concentration risk. Further, in FY21 and FY22 more than 80% of the business is generated from Tamil Nadu. Comfort however is taken from the long-standing relationship with its customers, who are respected names in their industry, and repeat orders. Also, almost 72% of the orders are concentrated in the renewable energy sector. Any adverse changes in this sector could impact the revenues of NTC.

### **Highly fragmented and competitive industry**

The Indian logistics industry has a high degree of fragmentation with the presence of large-scale players, with low entry barriers. 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, NTC 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.

### **Revenues susceptible to economic downturns and slowdowns**

Performance of the logistics industry is directly linked to the 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.

**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](#)

### **Liquidity – Stretched**

NTC's utilization of working capital is ~95% over the last 12 months, on account of the stretched receivables position of around 102 days as on March 31, 2022. The company has been highly dependent on working capital borrowings and GECL loans to fund its operations.



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Cash and cash equivalents were ~Rs.6.12 crore as on March 31, 2022. EBITDA of ~Rs.80 crores comfortably covers the interest cost of ~Rs.53 crores, during FY22. The projected cash accruals of ~Rs.77 crores and ~Rs.93 crores in FY23 and FY24 are sufficient to meet the debt repayment obligations of ~Rs.68 crores and ~Rs.60 crores for the same period.

### About the Company

M/s. NTC Logistics India Pvt Ltd was originally incorporated as NTC Logistics Pvt Ltd on January 1, 2008, and subsequently the name has been 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 is categorised into (i) Customs House Agency (ii) Freight Forwarding operations and (iii) Transportation.

### Financials:

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	642.70	890.70
EBITDA	62.79	79.91
PAT	-31.32	5.41
Total Debt	368.05	418.95
Tangible Net Worth	175.36	181.07
<b>Ratios</b>		
EBITDA Margin (%)	9.77	8.97
PAT Margin (%)	-4.80	0.60
Overall Gearing Ratio (x)	2.10	2.31

\*As per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable



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### Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Non-convertible debentures	Long Term	36.00	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	103.25	IVR BBB-/ Stable	-	-	-
3.	Overdraft	Long Term	41.75	IVR BBB-/ Stable	-	-	-
4.	WCTL	Long Term	6.63	IVR BBB-/ Stable	-	-	-
5.	Sales Invoice Financing	Short Term	40.00	IVR A3	-	-	-
6.	Bank Guarantee	Short Term	14.20	IVR A3	-	-	-
7.	Proposed	Long Term	40.00	IVR BBB-/ Stable	-	-	-

### Name and Contact Details of the Rating Team:

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the firm are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.





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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities:

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	36.00	IVR BBB-/ Stable
Cash Credit	-	-	-	103.25	IVR BBB-/ Stable
Overdraft	-	-	-	41.75	IVR BBB-/ Stable
WCTL	-	-	31-12-2023	6.63	IVR BBB-/ Stable
Sales Invoice Financing	-	-	-	40.00	IVR A3
Bank Guarantee	-	-	-	14.20	IVR A3
Proposed	-	-	-	40.00	IVR BBB-/ Stable

**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-Logistics-feb23.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 reduce 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).

