

## Rating Advisory

May 23, 2022 | Mumbai

### Jet Freight Logistics Limited

**Update as on May 23, 2022**

This rating advisory is provided in relation to the rating of Jet Freight Logistics Limited

The key rating sensitivity factors for the rating include:

#### Upward factors

- Increase in revenue and stable operating margin leading to better debt protection metrics with interest coverage above 2.5 times
- Reduction in the receivable more than 6 months, leading to better liquidity

#### Downward factors

- Decline in revenue or profitability, due to lower business or debtor write-off, leading to cash accrual of less than Rs 3 crore
- Any further stretch in working capital cycle, weakening the financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Jet Freight Logistics Limited (JFLL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, [https://www.crisil.com/content/dam/crisil/criteria\\_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf](https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf))

If JFLL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

#### **About the Group**

JFLL was incorporated as a private limited company in 2006, and later in 2016 was converted into public limited company. The company offers freight forwarding services by air, primarily for perishable items. It is managed by Mr. Richard Theknath and his brother Mr. Dax Theknath. The company is listed on the National Stock Exchange and located in Mumbai



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## Rating Rationale

September 08, 2021 | Mumbai

### Jet Freight Logistics Limited

*Rated amount enhanced*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.45 Crore (Enhanced from Rs.38 Crore)
Long Term Rating	CRISIL BBB-/Negative (Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Negative/CRISIL A3' ratings on the bank facilities of Jet Freight Logistics Limited (JFLL).

CRISIL Ratings had revised its outlook on the long-term bank facilities of JFLL to 'Negative' from 'Stable' on August 05, 2021

The outlook revision reflects stretch in the working capital cycle of JFLL because of sizeable receivables of more than six months, which stood at Rs 14.3 crore as on March 31, 2021, on account of delayed payments from the counterparties. Furthermore, due to decline in operating margins to 2.1% from 4% in the past, has led to the interest cover being subdued at 1.95 times, in fiscal 2021 compared to 3.8 times in fiscal 2019. Improvement in receivable cycle with significant reduction in debtors more than 6 months and improvement in operating margins, will be key monitorables over the medium term. Any further stretch in receivables, may impact the liquidity and hence credit profile of JFLL.

The ratings continue to reflect the extensive experience of the promoters in the logistics business, healthy relationships with suppliers, and moderate working capital cycle. These strengths are partially offset by exposure to intense competition, susceptibility to volatility in freight volume and an Average financial risk profile

#### Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of JFLL and its wholly owned subsidiaries – Jet Freight Logistics FZCO, Jet Freight Express Private Limited and Jet Freight Logistics BV. CRISIL Ratings considers these entities as being strategic in view of their integration with JFLL's operations.

Unsecured loans of Rs. 3.35 crore as on March 31, 2021, provided by the promoters, have been treated as debt.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and the analytical treatment of consolidation

#### Key Rating Drivers & Detailed Description

##### Strengths

**Extensive experience of the promoters and established relationships with suppliers:** Promoters have over 2 decades of experience in the logistics industry and have developed understanding of the market dynamics. This has enabled JFLL to establish itself as a multimodal service provider and establish relations with its customers and suppliers. This has resulted in growth in revenues as reflected in Rs.351.58 crores in fiscal 2021 from Rs. 193.95 crore in fiscal 2017.

**Moderate working capital requirements:** JFLL's working capital requirements are estimated to be moderate with gross current assets (GCA) of 67 days as on March 31, 2021. It gives credit of around 45-60 days to its customers, however due to long pending dues from some customers, debtor cycle is slightly higher. CRISIL Ratings believes that the company will continue to have moderate working capital requirements over the medium term.

##### Weaknesses

**Exposure to intense competition and economic cycles:** JFLL operates in the highly-fragmented logistics industry which has presence of large number of players. The commoditized services leads to limited differentiation and small players find it easy to enter the segment leading to intense competition. The freight industry is tied to economic cycles, and in case of slowdown in the economy, freight volume may vary, which may impact the revenue and margin of the company. This is also reflected in reduced operating margins from 4.1% in fiscal 2019 to 2.1% in fiscal 2021.

**Average financial risk profile:** Network was adequate at Rs 15.94 crores as on March 31, 2021. Gearing and total outside liabilities to adjusted network (TOLANW) ratio were at 1.95 times and 4.79 times, respectively, as on March 31, 2021. The debt protection metrics were marked by subdued interest cover of 1.95 times in fiscal 2021 while net cash accrual to total debt ratio was 0.19 time. The financial risk profile is expected to improve in the current year with improvement in the financial risk profile of the company.

#### **Liquidity: Adequate**

JFLL has adequate liquidity, driven by expected cash accrual of Rs 7.6-8.25 crores per annum in fiscals 2022 and 2023, against debt obligation of Rs 2 crores and Rs.3.15 crores annually. Cash and cash equivalent was Rs 9.23 crores as on March 31, 2021. Fund-based limit of Rs 29.4 crore was utilised at 75% on average over the 8 months ended June 30, 2021. CRISIL expects internal accrual, cash and cash equivalent and unutilised bank lines to be sufficient to meet its debt obligation, as well as incremental working capital requirement

#### **Outlook: Negative**

CRISIL believes JFLL's business profile may remain under pressure due to stretch in debtors. Any further increase in debtors can lead to impact on liquidity.

#### **Rating Sensitivity Factors**

##### **Upward factors**

- Increase in revenue and stable operating margin leading to better debt protection metrics with interest coverage above 2.5 times
- Reduction in the receivable more than 6 months, leading to better liquidity

##### **Downward factors**

- Decline in revenue or profitability, due to lower business or debtor write-off, leading to cash accrual of less than Rs 3 crore
- Any further stretch in working capital cycle, weakening the financial risk profile

#### **About the Group**

JFLL was incorporated as a private limited company in 2006, and later in 2016 was converted into public limited company. The company offers freight forwarding services by air, primarily for perishable items. It is managed by Mr. Richard Theknath and his brother Mr. Dax Theknath. The company is listed on the National Stock Exchange and located in Mumbai

#### **Key Financial Indicators (Consolidated)**

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	351.58	303.25
Reported profit after tax (PAT)	Rs.Crore	4.47	(10.29)
PAT margin	%	1.27	(3.39)
Adjusted debt/adjusted network	Times	1.95	2.18
Interest coverage	Times	1.95	(0.95)

#### **Status of non cooperation with previous CRA**

JFLL has not cooperated with Brickwork Ratings India Private Limited which has classified it as issuer not cooperative vide release dated June 1, 2021. The reason provided by Brickwork Ratings India Private Limited is non-furnishing of information for monitoring of ratings

**Any other information:** Not applicable

#### **Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

#### **Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Complexity level	Issue size (Rs.Crore)	Rating assigned with outlook
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NA	Term loan	NA	NA	Mar-2025	NA	4.58	CRISIL BBB-/Negative
NA	Cash Credit	NA	NA	NA	NA	29.42	CRISIL BBB-/Negative
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	NA	7	CRISIL BBB-/Negative
NA	Bank Guarantee	NA	NA	NA	NA	4	CRISIL A3

#### Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Jet Freight Logistics FZCO	Full	significant operational, and financial linkages
Jet Freight Express Private Limited	Full	
Jet Freight Logistics Limited	Full	
Jet Freight Logistics BV	Full	

#### Annexure - Rating History for last 3 Years

Current				2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	41.0	CRISIL BBB-/Negative	05-08-21	CRISIL BBB-/Negative	01-10-20	CRISIL BBB-/Stable		--		--	--
			--		--	03-04-20	CRISIL BBB-/Stable		--		--	--
			--		--	31-03-20	CRISIL BBB-/Stable		--		--	--
Non-Fund Based Facilities	ST	4.0	CRISIL A3	05-08-21	CRISIL A3	01-10-20	CRISIL A3		--		--	--
			--		--	03-04-20	CRISIL A3		--		--	--
			--		--	31-03-20	CRISIL A3		--		--	--

All amounts are in Rs.Cr.

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	4	Kotak Mahindra Bank Limited	CRISIL A3
Cash Credit	9.9	State Bank of India	CRISIL BBB-/Negative
Cash Credit	11.52	Kotak Mahindra Bank Limited	CRISIL BBB-/Negative
Cash Credit	8	Deutsche Bank	CRISIL BBB-/Negative
Proposed Fund-Based Bank Limits	7	Not Applicable	CRISIL BBB-/Negative
Term Loan	2.47	Deutsche Bank	CRISIL BBB-/Negative
Term Loan	2.11	Kotak Mahindra Bank Limited	CRISIL BBB-/Negative

This Annexure has been updated on 8-Sep-2021 in line with the lender-wise facility details as on 8-Sep-2021 received from the rated entity.

#### Criteria Details

Links to related criteria
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
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