

Rating Advisory

March 31, 2021 | Mumbai

Total Transport Systems Limited

Advisory as on March 31, 2021

This rating advisory is provided in relation to the rating of Total Transport Systems Limited

The key rating sensitivity factors for the rating include:

Upward scenarios

- Substantial growth in revenue, and stable operating margin of over 7%, leading to substantial cash accrual
- Prudent working capital management, as reflected by significant decrease in receivables

Downward scenarios

- Operating margin of below 4%, or steep decline in revenue, resulting in lower-than-expected cash accrual
- Further stretch in the working capital cycle or any large capital expenditure (capex), with no timely enhancement in bank limit

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 Total Transport Systems Limited (TTSL) 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)

If TTSL 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 company

TTSL, incorporated in 1994, operates as a logistics service provider, and is engaged in multimodal transport operations. The Mumbai-based company provides logistics services such as consolidation of less-than-container (LCL), full container load (FCL), and de-consolidation.

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Rating Rationale

March 12, 2020 | Mumbai

Total Transport Systems Limited

Long-term rating reaffirmed; short-term rating withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs 22.25 Crore (Reduced from Rs.44 Crore)
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Withdrawn)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB/Stable' rating on the long term bank facilities of Total Transport Systems Limited (TTSL). CRISIL has also **withdrawn** its rating on Rs.21.75 crore of proposed fund based facility, proposed non fund based facility and working capital demand loan of TTSL following a request from the company.

The rating action is in line with CRISIL's policy on withdrawal of bank loan ratings

CRISIL ratings on the bank facilities of TTSL continue to reflect TTSL's established presence in the freight forwarding industry, and a moderate financial risk profile. These strengths are partially offset by the exposure to intense competition and the susceptibility to variations in the economic cycles.

Key Rating Drivers & Detailed Description

Strengths

*** Established presence in freight forwarding industry**

TTSL was incorporated in 1994 and has been executing freight forwarding for about two decades. The company benefits from the extensive experience of the promoters and their business relationship with major carriers. It is a non-vessel operating common carrier with 18 offices all over India and one office each in Nepal and Bhutan. TTSL has positioned itself as an end-to-end logistics solutions provider offering services such as consolidation of less than container load (LCL) cargo, full container load (FCL), and de-consolidation. In the freight forwarding business, the company handles 1,500-2,000 containers per month pan India. Benefits from the strong market position should continue to support the business.

*** Moderate financial risk profile**

Financial risk profile has been comfortable and may remain so over the medium term as well. Networth increased to Rs 46.2 crore as on March 31, 2019, from Rs 37.7 crore a year ago, while the total outside liabilities to adjusted networth ratio was low at 0.77 time as on March 31, 2019. Debt protection metrics were strong, with interest coverage and net cash accrual to adjusted debt ratios of 8.85 times and 0.52 time, respectively, for fiscal 2019.

Weaknesses

*** Exposure to intense competition in freight forwarding and logistics industry**

TTSL operates in the highly fragmented logistics industry that has low entry barriers and comprises numerous players; large players provide end-to-end logistics solutions to customers, while small players restrict themselves to certain segments of the industry. Though mitigated to an extent by longstanding relationship with customers, intense competition may continue to constrain scalability, pricing power and profitability.

* Susceptibility to variations in the economic cycles

The key segment of the company, freight forwarding, is directly linked to India's global export and import (EXIM) position. Any adverse economic cycle will negatively affect the performance of freight forwarders. Volumes have dropped significantly and the freight rates fell to their lowest levels in the past. As the country integrates itself with the rest of the world, the globalisation of trade will drive growth in the EXIM market, thus benefiting TTSL's key business segments. However, till then, variations in the economic cycles will continue to impact the business.

Liquidity Adequate

Liquidity has been healthy and should remain so going forward as well, supported by the absence of any large, debt-funded capital expenditure (capex). Cash accrual ' projected at Rs 8-9 crore per annum over the medium term ' should comfortably meet the yearly maturing debt of Rs 0.18-0.22 crore; the surplus cash will be used as working capital. Bank limit utilisation averaged 87% during the 12 months through December 2019, with cash credit limit of Rs 22.25 crore. Current ratio was strong at 2.19 times as on March 31, 2019, with unencumbered cash and bank balance moderate at Rs 2.69 crore.

Outlook: Stable

CRISIL believes TTSL will continue to benefit from the extensive experience of the promoters and a comfortable financial risk profile.

Rating Sensitivity Factors

Upward Factors

*Substantial increase in revenue, with the operating margin steady at above 7%, leading to more-than-expected cash accrual

*Prudent working capital management, reflected by a significant decrease in debtors

Downward Factors

*Operating margin dropping to less than 4% or a steep decline in revenue, resulting in lower-than-expected cash accrual

*Further stretch in the working capital cycle, with no timely enhancement in the bank limit, or any large, debt-funded capex.

About the Company

TTSL, incorporated in 1994, is a Mumbai-based company that is a logistics service provider involved in multimodal transport operations. It provides logistics services such as consolidation of LCL, FCL, and de-consolidation.

Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs crore	248.08	207.98
Reported profit after tax (PAT)	Rs crore	8.50	8.02
PAT margins	%	3.4	3.86
Adjusted debt/adjusted networkth	Times	0.40	0.41
Interest coverage	Times	8.85	5.54

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	22.25	CRISIL BB/Stable
NA	Working Capital Demand Loan	NA	NA	Jan 2020	0.55	Withdrawn
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	6.19	Withdrawn
NA	Proposed Non Fund-Based Bank Limits	NA	NA	NA	15.01	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	22.25	CRISIL BB/Stable	06-02-20	CRISIL BB/Stable	14-02-19	CRISIL BB/Stable			29-11-17	CRISIL BB+/Stable	CRISIL BB+/Negative
				28-01-20	CRISIL BB/Stable							
Non Fund-based Bank Facilities	LT/ST	15.01	Withdrawn	06-02-20	CRISIL A4+	14-02-19	CRISIL A4+					CRISIL A4+
				28-01-20	CRISIL A4+							

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	22.25	CRISIL BB/Stable	Cash Credit	22.25	CRISIL BB/Stable
Proposed Fund-Based Bank Limits	6.19	Withdrawn	Proposed Fund-Based Bank Limits	6.19	CRISIL BB/Stable

Proposed Non Fund based limits	15.01	Withdrawn	Proposed Non Fund based limits	15.01	CRISIL A4+
Working Capital Demand Loan	.55	Withdrawn	Term Loan	.55	CRISIL BB/Stable
Total	44	--	Total	44	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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