

KSH Distriparks Private Limited

April 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12.00	CARE A- (RWD)	Placed on Rating Watch with Developing Implications
Short-term bank facilities	2.00	CARE A2 (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings of KSH Distriparks Private Limited (KDPL) on 'rating watch with developing (RWD) implications'.

As per the order received from the National Company Law Tribunal (NCLT) under the composite scheme, KSH Logistics Private Limited (KLPL; wholly owned subsidiary of KDPL) will merge with KDPL and the third-party logistics (3PL) business segment of KLPL will be demerged and transferred to KSH Integrated Logistics Private Limited (KILPL; wholly owned subsidiary of KDPL from July 2023). KILPL will undergo a change in ownership post the scheme and will not remain a subsidiary of KDPL. CARE Ratings will monitor developments on this and will take a view on ratings once exact implications of the above on the company's credit risk profile are clear.

Ratings continue to derive strength from KDPL's experienced promoters, integrated presence across verticals in the logistics space, and the company's long association with reputed clientele across diverse end-user industries. Ratings further continue deriving strength from the comfortable capital structure, debt protection metrics, and adequate liquidity position.

However, these strengths are constrained by the moderate scale of operations, moderate profitability margins, regulatory risks related to changes in custom norms, and the company's presence in a highly fragmented and price competitive logistics business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially increasing scale of operations and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 20% on a sustained basis.
- Improving capacity utilisation of the inland container depot (ICD) division and multi-client warehousing facility.

Negative factors

- Un-envisaged debt deteriorating the overall gearing beyond 1x and liquidity position deteriorating with substantial reduction in the free cash balances on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has considered consolidated financials of KDPL. The consolidated approach has factored significant operational and financial linkages with KLPL as it is of strategic importance to KDPL. The list of subsidiaries consolidated is given in Annexure-6.

Outlook: Not Applicable

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and management team with equity investment from Pacific Century Regional Developments (PCRD) Services Pte. Ltd. (Singapore)

KDPL belongs to the KSH group having more than five decades of domain expertise in domestic logistics, manufacturing, services, and distribution business. The board of KDPL constitutes six members, of which three members are from the Hegde family, one from the Mehta family, and the balance two have been nominated by PCRD. PCRD belongs to the Pacific Century Group (PCG), which has interests in real estate, telecommunications, media, and financial services in the Asia-Pacific region. PCRD is listed on the Singapore Stock Exchange and has 49.87% shareholding in the company. The company was founded by Kushal S Hegde, who serves as the Chairman of all KSH group companies. Day-to-day operations are managed by his sons, Rajesh Hegde (Director) and Rohit Hegde (Director), who are involved in operations of the KSH group's logistics and distribution business. The group's operations are managed by a team of professionals with domain experience in specific verticals of the logistics business.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Diversified business segments

The company operates under two different verticals – ICD, and transportation and 3PL services (through KLPL). Under the ICD division, services provided by KDPL include full container load, light container load, air cargo, project cargo, and container triangulation and customs clearance facilities. Under the transportation and 3PL business, KDPL provides logistics services to companies belonging to the automobile sector, retail, and fast-moving consumer goods (FMCG), among others. The company currently has a fleet of 119 heavy commercial vehicle (HCV) and 12 light commercial vehicle (LCV) trucks. Transportation services contributed to about 60% of sales in FY23 (FY refers to April 01 to March 31), followed by logistics services and ICD services.

Reputed client base across diverse end-user industries

KDPL serves a gamut of customers operating across sectors such as construction equipment, abrasive products, logistics, food products, paper, and engineering services from the Chakan-Talegaon belt, an industrial hub in Pune, Maharashtra. This provides the company advantages of connectivity and lower logistics cost. KLPL provides integrated logistics solutions to its clients and has a strong and reputed clientele base in auto ancillaries and consumer goods. These include Bosch Limited and Autoliv India Private Limited to name a few. The company's ability to retain existing clients without renegotiating terms and adding new customers are key rating sensitivities.

Comfortable capital structure and debt coverage indicators

As on March 31, 2023, the capital structure stood comfortable with an overall gearing of 0.10x (PY: 0.03x), despite adding a new term loan as on balance sheet date.

Total debt (TD)/gross cash accruals (GCA) marginally deteriorated to 0.46x in FY23 (PY: 0.20x) owing to higher TD outstanding as on balance sheet date. Due to higher operating profits booked in FY23, the interest coverage ratio (ICR) improved to 78.30x (PY: 41.85x).

For augmenting the transport business, KDPL has availed term loan for purchasing trailers. Despite debt-funded capex, CARE Ratings expects the company's solvency position to be comfortable in the medium term.

Key weaknesses**Growing yet moderate scale of operations**

KDPL's total operating income (TOI) increased by 26.71% y-o-y from ₹139.40 crore in FY22 to ₹176.64 crore in FY23 owing to increasing demand from both, ICD and transportation business. The company has booked sales of ₹138.20 crore in 9MFY24. Although growing, the scale of operations is moderate, which limits its financial flexibility for meeting exigencies if any. Improving demand and adding warehouses and new customers will likely drive the growing scale of operations in the medium term.

Moderate profitability margins

In FY23, operating margins improved to 19.73% from 16.20% in FY22 on the back of improving scale of operations and higher margins booked in the transportation business. Profit-after-tax (PAT) margin also improved in line with the PBILDT margin to 14.88% in FY23 (PY: 12.72%).

KDPL booked PBILDT margin and PAT margin of 17.51% and 12.98%, respectively, in 9MFY24. Margins declined due to increasing operational expenses for a new multi-client facility and increased employee costs. Going forward, CARE Ratings expects the company's operating margins to be stable at about 18%.

Highly competitive and fragmented freight logistics industry

The road freight transport industry has grown since independence and especially since liberalisation. However, having achieved a matured stage, the road freight transport industry is deregulated and highly fragmented. The industry faces intense competition due to low entry barriers. About 80-85% of the road freight transport industry consists of small transport operators that own less than five trucks, are fragmented and unorganised. High fragmentation and intense competition lead to unhealthy price wars and discounts, resulting in pressure on margins and depressed freight rates.

Regulatory risk associated with government regulations for ICD

The ICD division of KDPL is highly regulated, thus making operations susceptible to adverse changes in government regulations. However, currently, the Central Board of Indirect Taxes and Customs (CBIC) intends to implement a Direct Inland Delivery (DID) scheme. Under the DID scheme, importers will have to file import declaration before the arrival of goods from gateway ports at the ICD. The importer will pay duties accordingly or on deferred payment basis. This will benefit KDPL as the turnaround time (TAT) will improve, increasing the company's volumes. Direct Port Delivery (DPD) will also benefit KDPL as there will be more demand for goods transportation through its fleet of HCVs and LCVs.

Liquidity: Adequate

The company's liquidity position is adequate, characterised by sufficient cushion in accruals of ₹27-28 crore as against annual repayment obligations of ₹10-11 crore over FY25-FY26. As on December 31, 2023, the company also had a free cash and bank balance of ₹31.13 crore. The average utilisation for working capital limits stood at 25% for last 12 months ended February 29, 2024. Unutilised bank lines are adequate for meeting its incremental working capital needs.

Assumptions/Covenants – Not applicable**Environment, social, and governance (ESG) risks – Not applicable****Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

[Consolidation and Combined approach](#)

About the company and industry**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

Established in 2006, KDPL is part of the KSH group owned by the Hegde family. The group has diversified operations with interests in manufacturing, service and distribution, and domestic logistics, with KSH International Private Limited (rated 'CARE A-; Stable/CARE A2') as the group's flagship company, which manufactures copper conductors. KDPL operates an ICD, which provides customs clearance facility at Talegaon, Pune. It also provides warehousing, transportation, logistics and logistics infrastructure services with value-added services such as just-in-time, kitting, labelling, pick and pack, unit consolidation, break bulk, among other, through KLPL.

Brief Financials (₹ crore) - Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	139.40	176.64	138.20
PBILDT	22.58	34.84	24.20
PAT	17.73	26.28	17.94
Overall gearing (times)	0.03	0.10	NA
Interest coverage (times)	41.85	78.30	17.40

A: Audited; UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) - Standalone	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	103.69	127.55	96.81
PBILDT	10.54	21.93	17.92
PAT	9.41	15.53	25.08
Overall gearing (times)	0.00	0.09	NA
Interest coverage (times)	340.06	196.31	15.40

A: Audited; UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil**Any other information: Not applicable****Rating history for last three years: Please refer Annexure-2****Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3**

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE A- (RWD)
Fund-based - LT-Term Loan		-	-	01-06-2028	5.00	CARE A- (RWD)
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A2 (RWD)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)CARE A-; Stable (29-Mar-23) 2)Withdrawn (29-Mar-23)	1)CARE A-; Stable (01-Mar-22)	1)CARE A-; Stable (03-Dec-20)
2	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A2 (RWD)	-	1)CARE A2 (29-Mar-23)	1)CARE A2 (01-Mar-22)	1)CARE A2 (03-Dec-20)
3	Fund-based - LT-Term Loan	LT	5.00	CARE A- (RWD)	-	1)CARE A-; Stable (29-Mar-23)	-	-
4	Fund-based - LT-Cash Credit	LT	7.00	CARE A- (RWD)	-	1)CARE A-; Stable (29-Mar-23)	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	KSH Logistics Private Limited	Full	Wholly owned subsidiary of KDPL; operational and financial linkages with KDPL
2	KSH Integrated Logistics Private Limited	Full	Wholly owned subsidiary of KDPL from July 2023.

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in</p> <p>Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: 91-20-4000-9009 E-mail: Ashish.Kashalkar@careedge.in</p> <p>Aashvi Shah Analyst CARE Ratings Limited E-mail: Aashvi.Shah@careedge.in</p>
---	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**