

November 30, 2022

Boxco Logistics India Private Limited: Ratings downgraded to [ICRA]A4+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Non-fund based facilities	22.73	14.00	[ICRA]A4+; downgraded from [ICRA]A3
Short-term – Unallocated	-	8.73	[ICRA]A4+; downgraded from [ICRA]A3
Total	22.73	22.73	

*Instrument details are provided in Annexure-I

Rationale

The rating downgrade for Boxco Logistics India Private Limited (BLIPL, the company) reflects the significant moderation in its scale of operations and subdued profitability of the consolidated entity. This was due to the demerger of the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, from BLIPL, effective April 1, 2019, as part of the scheme of arrangement or demerger implemented by the JM Baxi group. Further, in FY2022, the key business under the subsidiary - Boxcoworld Logistics India Private Limited (BWLIPL)- transferred its business to a new entity – Boxcoworld Private Limited (BWPL) as a going concern by way of a slump sale effective from October 1, 2021, which resulted in further moderation in the financial performance of the consolidated entity. The consolidated scale of operations is expected to witness significant moderation, going forward.

ICRA further notes the vulnerability of the company's operations to any slowdown in economy and variation in trade volumes, while the margins are susceptible to high competition in the logistics and freight forwarding industry.

The rating, however, draws comfort from the company being part of the JM Baxi group, one of the leading end-to-end logistics players in the country having integrated presence in the logistic chain as well as port operations, and the established track record and extensive experience of the promoters and management in the logistics industry. The rating also takes note of the no external debt at the consolidated level, while the standalone entity has only some non-fund-based limits outstanding.

Key rating drivers and their description

Credit strengths

Part of JM Baxi Group with diversified service offering – BLIPL is part of the Mumbai-based end-to-end shipping-logistics industry major J. M. Baxi Group. The Group has a track record of over 100 years in the shipping logistics sector, with the promoters being the shareholders of the company. The promoters of the company have supported it over the years by infusing capital via unsecured loans/preference shares directly or through entities in the JM Baxi Group. Further, the established position of the group and projects being implemented at group level are also expected to support the freight forwarding business and CHA related fees income for BLIPL standalone at the near to medium term.

Credit challenges

Moderate scale of operations and subdued profit margins – The company's scale of operations on a standalone basis remains modest with an operating income of Rs 27.6 crore in FY2022 compared with Rs. 15.7 crore in FY2021. The OPM and NPM remained subdued at -43.5% and -34%, respectively, in FY2022 compared with -134.3% and -166.4%, respectively, in FY2021. The margins remained subdued because of the losses from the existing logistics contract.

ICRA notes that as part of the scheme of arrangement or demerger implemented by the JM Baxi group implemented by the JM Baxi Group, the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, have been demerged from BLIPL, effective April 1, 2019, due to which the scale of operations has witnessed significant moderation. Subsequently, the SEZ segment, which was handling back-office services for Dubai-based subsidiary Diabos FZE was transferred to another group entity – J M Baxi Technologies Private Limited - in FY2022 and the existing logistics contract for transportation of construction material and equipment with a key customer also ended in July 2022. The company will continue to do some operations and maintenance for customer in the medium term. Hence, going forward at a standalone level, freight forwarding business, O&M activity and custom house agency related fees will contribute to the revenue. However, the operations from these activities are expected to be profitable as against the losses incurred in the logistics contract earlier.

At the consolidated level, the key subsidiary - BWLIPL - transferred its business to BWPL as a going concern by way of slump sale effective from October 1, 2021, which resulted in further moderation in financial performance of the consolidated entity. The consolidated scale of operations is expected to witness significant moderation going forward, although two subsidiaries – Boxco Shipping Service Private Limited (BSSPL) and Diabos Global FZE - will continue to operate at a consolidation level.

The logistics and freight forwarding industry in India is highly fragmented on account of a large number of players. This has resulted in intense competition in the sector and as a result the operating margin for BLIPL has remained low at the standalone and consolidated levels.

Susceptible to economic slowdown and variation in trade volumes – The performance of the logistics and freight forwarding industry is linked to global economic activities which have an impact on the exim trade volume. Any slowdown in domestic and global manufacturing/industrial activities due to weak economic conditions or restrictive trade policies can have a negative impact on the revenues of the company.

Liquidity position: Adequate

BLIPL’s liquidity profile remains adequate, supported by modest cash flow from operations and absence of long-term debt repayments and capex plans, with only moderate non-fund based exposure. The company had a cash and bank balance of Rs 11.25 crore as on March 31, 2022 at a standalone level.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company demonstrates an improvement in the consolidated scale of operations and profitability on a sustained basis, while maintaining a comfortable capital structure.

Negative factors – Pressure on the rating could arise if there is a sustained moderation in the scale and margin of the consolidated entity, or a larger-than-expected debt-funded capex, or a stretch in working capital cycle that will weaken the liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Boxco Logistics India Private Limited. As on March 31, 2022, the company had four subsidiaries and three JVs, that are enlisted in Annexure-2. However, the consolidated provisional

statement of FY2022 includes BLIPL, BWLIPL, BSSL and Diabos Global FZE only as estimated by ICRA.

About the company

Boxco Logistics India Private Limited (BLIPL), a part of the JM Baxi Group, was founded in 2011. The J.M. Baxi Group is an end-to-end logistics major with an experience of 100 years in the logistics and shipping industry. BLIPL was set up for providing a one-stop logistics solution in India. As part of the scheme of arrangement or demerger implemented by the JM Baxi Group, the project logistics, bulk logistics and cold chain logistics divisions along with its subsidiary, Vir Varenya Shipping, have been demerged from BLIPL, effective April 1, 2019. Post the demerger, four divisions continued to operate under BLIPL - the SEZ division, ongoing logistics contract with a customer, freight forwarding and customs house agency. Subsequently, the logistics contract ended in July 2022 and the SEZ division was transferred to another group entity – J M Baxi Technologies Private Limited - in FY2022. Going forward, at a standalone level, only freight forwarding and the CHA-related business remain under the standalone entity.

At the consolidated level, the international freight forwarding services offered through its key subsidiary, BWIPL, has also been transferred to another entity - BWPL - since Oct 2021. Hence, only operations under the other two subsidiaries - Boxco Shipping Service Private Limited and Diabos Global FZE - will continue to be operational.

Key financial indicators

BLIPL Consolidated	FY2021	FY2022 [^]
	(Audited)	(Provisional)
Operating income	286.6	233.7
PAT	-16.1	-2.0
OPBDIT/OI	-2.0%	-1.0%
PAT/OI	-5.6%	-0.9%
Total outside liabilities/Tangible net worth (times)	1.7	1.4
Total debt/OPBDIT (times)	-2.4	-8.2
Interest coverage (times)	-2.7	-0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; [^] ICRA estimates and includes BLIPL (standalone), BWIPL, BSSPL and Diabos Global FZE

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Nov 30, 2022	Aug 20, 2021	-	Jan 17, 2020
1 Fund-based -Term loan	Long term	-	-	-	[ICRA]BBB-(Stable); Withdrawn	-	[ICRA]BBB-(Stable)
2 Fund-based – Cash credit	Long term	-	-	-	[ICRA]BBB-(Stable); Withdrawn	-	[ICRA]BBB-(Stable)
3 Non-fund based working capital facilities	Short Term	14.00	-	[ICRA]A4+	[ICRA]A3	-	[ICRA]A3
4 Unallocated	Short Term	8.73	-	[ICRA]A4+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Fund Based	Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-Fund Based	NA	NA	NA	14.00	[ICRA]A4+
NA	Unallocated	NA	NA	NA	8.73	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Boxcoworld Logistics India Private Limited	100.00%	Full Consolidation
Boxco Shipping Services Private Limited	100.00%	Full Consolidation
Diabos Global FZE	100.00%	Full Consolidation
Vir Special Ship Pvt Ltd	100.00%	Full Consolidation
J M Baxi Incubators Private Limited	4.41%	Equity Method
Boxco Far East Pte Ltd	14.30%	Equity Method
Boxco Logistics Bangladesh Pvt Ltd	51.00%	Equity Method

Source: Company

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