

KSH Distriparks Private Limited

February 24, 2025

| Facilities/Instruments | Amount (₹ crore) | Ratings ¹ | Rating Action |
|----------------------------|--------------------------------|----------------------|--|
| Long-term bank facilities | 15.58 (Enhanced from 12.00) | CARE A-; Stable | Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned |
| Short-term bank facilities | 2.00 | CARE A2 | Reaffirmed and removed from Rating Watch with Developing Implications |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings), vide its Press Release dated April 02, 2024, had placed the ratings assigned to the bank facilities of KSH Distriparks Private Limited (KDPL) on 'Rating Watch with Developing Implications (RWD)' considering the order received from the National Company Law Tribunal (NCLT) under the composite scheme, where KSH Logistics Private Limited (KLPL; earlier a 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; owned by shareholders of KDPL). CARE Ratings has removed the 'Rating Watch' as the scheme has been implemented and merger/demerger has become effective with appointed date of April 01, 2023.

CARE Ratings has taken a combined approach for the KSH group comprising of KDPL and KILPL, hereinafter referred to as KSH, considering both companies operate in the logistics segment with common promoters and cash flow fungibility.

Ratings have been reaffirmed factoring in strength from experienced promoters, integrated operations of KSH across verticals in the logistics space, and its long association with reputed clientele across diverse end-user industries. Ratings further continue to derive strength from KSH's comfortable capital structure and adequate liquidity position.

However, these strengths are constrained by KSH's moderate scale of operations, moderate profitability, planned debt-funded capex, and its presence in a highly fragmented and price competitive logistics business. Ratings also take a note of sizeable cash outflow over FY23-FY24 (refers to April 01 to March 31) in the form of dividend and share buyback and management articulation that there are no further plans of such cash outflow in the near term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) above ₹300 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin over 18% on a sustained basis.
- Improving capacity utilisation of the inland container depot (ICD) division and increase in occupancy in multi-client warehousing facility.

Negative factors

- Deterioration in overall gearing beyond 1x on sustained basis.
- Decline in Total debt to PBILDT above 3x on sustained basis.
- Significant cash outflow in the form of dividend or share buyback impacting net worth or liquidity position.

Analytical approach: Combined

While arriving at the ratings, CARE Ratings has considered combined financials of KDPL and KILPL (collectively referred as 'KSH'), owing to their common promoter group and management, related business activities, strong operational and financial linkages and cash flow fungibility. Companies combined have been listed under Annexure-6.

Earlier, CARE Ratings had considered consolidated performance of KDPL, which included its wholly owned subsidiary, KLPL. Post implementation of the merger-demerger scheme, KLPL has now merged with KDPL and 3PL operations have been transferred to KILPL.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectation that KSH will continue to benefit from its stable business under ICD and established track record in logistics business.

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

Detailed description of key rating drivers:

Key strengths

Diversified business segments

KSH operates under two different verticals – ICD and transportation (through KDPL) and 3PL services (through KILPL). 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 3PL business, KILPL provides warehouse rental, warehouse management services and last-mile transportation services to companies belonging to the automobile, retail, and FMCG sectors, among others. Transportation services contribute to ~60% of TOI, followed by logistics services and ICD services.

Reputed client base across diverse end-user industries

With an established track record of operations, KSH has developed long-standing relationships with its reputed clientele. KDPL serves a gamut of customers operating across sectors such as auto ancillaries, construction equipment, abrasive products, food products and paper, primarily from the Chakan-Talegaon belt - an industrial hub in Pune, Maharashtra. This strategic location offers advantages such as good connectivity and reduced logistics costs. In the last few years, KDPL has been expanding its asset base to augment its transportation business and currently operates a fleet of ~159 trailers.

KILPL provides integrated logistics solutions to its clients and has a strong and reputed clientele base in auto ancillaries and consumer goods. Major customers include Bosch Limited, Mahle Behr India Private Limited, Autoliv India Private Limited among others.

Comfortable capital structure and debt coverage indicators

On a combined basis, KSH's capital structure continues to remain comfortable with overall gearing of 0.50x as on March 31, 2024 (PY: 0.10x), despite addition of new vehicle loans for purchase of trailers and higher utilisation of working capital limits as on balance sheet date. Despite debt-funded capex, the capital structure is expected to remain comfortable in the medium term.

In FY24, debt coverage indicators moderated, however remained comfortable with total debt to gross cash accruals (TD/GCA) and interest coverage of 2.19x and 15.29x respectively (PY: 0.46x and 78.30x respectively).

In the last two years ended FY24, shareholders have withdrawn capital of ~₹66 crore in the form of share buybacks and dividend payouts, which has led to a reduction in the company's net worth base. However, there are no further plans of capital withdrawal in the near term as per management articulation. Any incremental cash outflow will remain key credit monitorable.

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

KDPL and KILPL are a part of the KSH Group having over five decades of domain expertise in domestic logistics, manufacturing, services, and distribution business. The board 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. KSH was promoted by Kushal Hegde, who serves as the Chairman of all KSH group companies. His sons, Rajesh Hegde (Director) and Rohit Hegde (Director), are involved in managing 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.

Key weaknesses

Moderate scale of operations and moderate profitability

KSH's TOI increased by ~4.81% in FY24 to ₹185.13 crore (PY: ₹176.64 crore), driven by growth in ICD and transportation segments. Combined TOI stood at ₹154.31 crore in 9MFY25 (refers to April 01 to December 31). CARE Ratings expects TOI to grow at a moderate rate in the near term driven by increasing demand, along with the addition of new warehouses and customers. In FY24, the PBILDT margin declined to 15.24% (PY: 19.73%), primarily due to a decline in the warehousing business owing to the exit of a key customer after the completion of its lock-in period. KSH has reported a PBILDT margin of 16.64% in 9MFY25. KSH achieved a profit before tax (PBT) of Rs.22 crore in FY24 (PY: Rs.31.25 crore), however reported a net loss of ₹1.61 crore in FY24 (PY: net profit of ₹26.28 crore), primarily due to an exceptional loss incurred on demerger of ₹17.81 crore, which was non-cash in nature. KSH is likely to improve its profitability over the medium term with increased utilisation of its ICD and asset base.

Planned debt-funded capex

KDPL and KILPL have planned capex of ~₹70-75 crore over FY25-FY26, which will be funded by a debt of ~₹60-65 crore, which is partly tied-up and balance through internal accruals. This investment primarily includes leasing new land for capacity expansion in ICD business, purchase of trailers for the transportation segment and meeting capex requirements of newly leased warehouses. Ramp-up of operations and the ability to derive envisaged benefits will remain crucial from credit perspective.

Highly competitive and fragmented freight logistics industry

The freight logistics industry continues to remain deregulated and highly fragmented. The industry faces intense competition due to low entry barriers. Around 80-85% of the sector is composed of small transport operators owning fewer than five trucks, making it largely fragmented and unorganised. This high level of fragmentation, coupled with intense competition, fuels price wars and discounts, resulting in pressure on margins and depressed freight rates.

Liquidity: Adequate

KSH's liquidity position continues to remain adequate, characterised by sufficient cushion in accruals of ₹25-30 crore as against annual repayment obligations of ₹10-15 crore over FY25-FY27. As on March 31, 2024, KSH also had a free cash and bank balance of ₹12.27 crore. The average maximum utilisation of fund-based limits stood at ~63% for twelve months ended September 30, 2024. Unutilised bank lines are adequate for meeting the company's incremental working capital needs.

Applicable criteria

[Consolidation](#)

[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](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|----------|--------------------|-----------------------------|
| Services | Services | Transport services | Logistics solution provider |

KDPL and KILPL are both a part of KSH group, which is owned by the Hegde family. The group operates across diverse sectors, like manufacturing, services, distribution, and domestic logistics.

KDPL operates an ICD at Talegaon, Pune, which serves as a platform for customs clearance, warehousing and transportation services. KILPL provides 3PL services, including warehouse rentals, warehouse management, and last-mile transportation services to its customers.

| Brief Financials (₹ crore) – Combined* | March 31, 2023 (A) | March 31, 2024 (UA) | 9MFY25 (Prov.) |
|---|--------------------|---------------------|----------------|
| Total operating income | 176.64 | 185.13 | 154.31 |
| PBILDT | 34.84 | 28.21 | 25.67 |
| PAT | 26.28 | -1.61 | NA |
| Overall gearing (times) | 0.10 | 0.50 | NA |
| Interest coverage (times) | 78.30 | 15.29 | 7.55 |

A: Audited; UA: Unaudited; Prov.: Provisional; NA: Not Available; Note: these are latest available financial results

*The consolidated financials of KDPL are considered up to FY23, prior to the merger of KLPL with KDPL. Following the merger and the subsequent demerger of the 3PL business from KDPL in FY24, KILPL became operational, and thereafter, combined financials of KDPL and KILPL are considered.

| Brief Financials (₹ crore) – Standalone - KDPL | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (Prov.) |
|---|--------------------|--------------------|----------------|
| Total operating income | 127.55 | 131.61 | 111.03 |
| PBILDT | 21.93 | 23.70 | 21.79 |
| PAT | 15.53 | -4.06* | 9.24 |
| Overall gearing (times) | 0.09 | 0.53 | NA |
| Interest coverage (times) | 196.31 | 15.67 | 8.61 |

A: Audited; Prov.: Provisional; NA: Not Available; Note: these are latest available financial results

*Post exceptional loss incurred on demerger of ₹17.81 crore.

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook |
|------------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Cash Credit | | - | - | - | 11.00 | CARE A-; Stable |
| Fund-based - LT-Term Loan | | - | - | 01-06-2028 | 4.58 | CARE A-; Stable |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 2.00 | CARE A2 |

Annexure-2: Rating history for 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 2024-2025 | 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 |
| 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) |
| 2 | Non-fund-based - ST-Bank Guarantee | ST | 2.00 | CARE A2 | 1)CARE A2 (RWD) (02-Apr-24) | - | 1)CARE A2 (29-Mar-23) | 1)CARE A2 (01-Mar-22) |
| 3 | Fund-based - LT-Term Loan | LT | 4.58 | CARE A-; Stable | 1)CARE A- (RWD) (02-Apr-24) | - | 1)CARE A-; Stable (29-Mar-23) | - |
| 4 | Fund-based - LT-Cash Credit | LT | 11.00 | CARE A-; Stable | 1)CARE A- (RWD) (02-Apr-24) | - | 1)CARE A-; Stable (29-Mar-23) | - |

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**Annexure-4: Complexity level of 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 entities Combined

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|-------|--|-------------------------|------------------------------------|
| 1 | KSH Integrated Logistics Private Limited | Full | Operational and financial linkages |

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

Contact us

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About us:

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