

Rating Rationale

September 20, 2024 | Mumbai

Glottis Limited

Rating migrated to 'CRISIL BBB/Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.35 Crore (Enhanced from Rs.10 Crore)
Long Term Rating	CRISIL BBB/Stable (Migrated from 'CRISIL B/Stable ISSUER NOT COOPERATING*')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

**Issuer did not cooperate; based on best-available information*

Detailed Rationale

Due to inadequate information, CRISIL Ratings, in line with SEBI guidelines, CRISIL Ratings had migrated the rating of Glottis Limited (GLTSL), primarily known as Glottis (GLTS) to 'CRISIL B/Stable Issuer Not Cooperating'. However, the management has subsequently started sharing requisite information, necessary for carrying out comprehensive review of the rating. Consequently, CRISIL Ratings is migrating the rating on long term bank facilities of GLTSL to '**CRISIL BBB/Stable**' from 'CRISIL B/Stable Issuer Not Cooperating'.

The rating reflects the extensive experience of the partners in the freight forwarding industry and GLTS's moderate financial risk profile. These strengths are partially offset by exposure to intense competition and changing economic cycles.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters:** The two-decade-long experience of the promoters, their healthy relationships with clients and shipping lines and the firm's wide distribution network in India and abroad should continue to support the business.
- **Moderate financial risk profile:** Debt protection metrics were robust, indicated by interest coverage and net cash accrual to total debt ratios of 89 times and 3.46 time, respectively, in fiscal 2024. The net worth is also moderate at Rs. 41 crores as of March 31st, 2024 and gearing and total outside liabilities to tangible net worth (TOLTNW) ratio is also comfortable with less than 1 times as of fiscal 2024.

Weaknesses:

- **Exposure to intense competition:** Entry barriers are low in the freight forwarding and logistics industry, resulting in intense competition. Large players provide end-to-end logistics solutions, while small players restrict themselves to certain segments.
- **Susceptibility to variations in economic cycles:** GLTSL's key segment, freight forwarding, is directly linked to India's global export and import (EXIM) position. Any adverse economic cycle will negatively impact the performance of freight forwarders. Volume has dropped significantly, and freight rates have fallen to their lowest levels in the past. As the country integrates itself with the rest of the world, globalisation of trade will drive growth in the EXIM market, thus benefiting the key business segments of the firm. Revenue and profitability will remain exposed to variations in economic cycles.

Liquidity: Adequate

Cash accruals are expected to be over Rs. 30 crores which are sufficient against term debt obligation of Rs. 1 crore over the medium term. The current ratio is healthy at 2.42 times on March 31, 2024. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believe GLTS will continue to benefit from the partners' extensive experience and healthy relationships with clients.

Rating sensitivity factors

Upward factors:

- Improvement in scale of operations with 50 percent growth and sustenance of margins leading to higher-than-expected cash accruals
- Sustenance of the financial risk profile

Downward factors:

- Decline in operating revenue or operating margin to less than 5% resulting in lower-than-expected accruals
- Stretched working capital cycle or any large, debt-funded capital expenditure weakening the financial risk profile and liquidity

About the Company

GLTSL is a leading multi-modal, integrated logistics service provider. The Company delivers end-to-end logistics solutions with multimodal capabilities across verticals to optimize the movement of goods including (i) Ocean freight forwarding (ii) Project cargo load for both import & export; (iii) Air freight forwarding; (iv) Road transportation; along with other ancillary services, including warehousing, storage, cargo handling, third-party logistics ("3PL") services, Customs clearance activities and others. They operate PAN-India through an established network of 8 branch offices. They have over the years also spread their operations across countries, including but not limited to, Europe, North America, South America, Africa, Middle East and Asian Countries through their arrangements with local freight forwarding agents in such countries.

Key Financial Indicators

As on / for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	498.13	225.05
Reported profit after tax	Rs crore	29.20	10.27
PAT margins	%	6.03	4.57
Adjusted Debt/Adjusted Net worth	Times	0.22	2.79
Interest coverage	Times	88.61	193.44

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 and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	35	NA	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	35.0	CRISIL BBB/Stable	12-07-24	CRISIL B /Stable(Issuer Not Cooperating)*	16-05-23	CRISIL B /Stable(Issuer Not Cooperating)*	25-03-22	CRISIL BB+ /Stable(Issuer Not Cooperating)*	11-01-21	CRISIL BB+/Stable	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	10	HDFC Bank Limited	CRISIL BBB/Stable
Cash Credit	25	HDFC Bank Limited	CRISIL BBB/Stable

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition

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