



April 29, 2023

National Stock Exchange of India Limited Exchange Plaza BandraKurla Complex Mumbai – 400 050 Ph No: 2659 8452 Fax No: 2659 8237/38 Email: cmlist@nse.co.in Scrip Code: SNOWMAN	BSE Limited Department of Corporate Services PhirozeJeejeebhoy Towers Mumbai – 400 001 Ph No: 22727 1233/34 Fax: 2272 1072/ 2037/2061/ 41 Email: corp.relations@bseindia.com Scrip Code: 538635
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Dear Sir/Madam,

Sub: Intimation regarding credit rating under Regulation 30 of SEBI (LODR) Regulations 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we would like to inform that India Ratings and Research Private Limited (“India Ratings”), vide their letter dated 28th April 2023 has assigned Snowman Logistics Ltd’s bank loans at ‘IND A/STABLE’.

The rating letter received from India Ratings is attached as Annexure.

Kindly take the aforesaid information on record.

Thanking you,

Yours faithfully,

For Snowman Logistics Limited

KIRAN
PANACHI
KKAL
GEORGE

Digitally signed by KIRAN PANACHIKKAL
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Kiran George
Company Secretary & Compliance Officer

Enclosed: Rating Letter from India Ratings

Corporate office

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India Ratings Assigns Snowman Logistics' Bank Loans 'IND A'; Outlook Stable

Apr 28, 2023 | Logistics Solution Provider

India Ratings and Research (Ind-Ra) has rated Snowman Logistics Limited's (SLL) bank loans as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	FY28	INR1,287.4	IND A/Stable	Assigned
Fund-based limits	-	-	-	INR500	IND A/Stable/IND A1	Assigned

Analytical Approach: The ratings factor in SLL's moderate operational and strategic linkages with Gateway Distriparks Limited (GDL: [IND AA/Stable](#); holds 40.25% stake in SLL).

Key Rating Drivers

Established Market Position: SLL is a leading integrated temperature-controlled logistics service provider operating on a pan-India basis. Its operations majorly include warehousing, transportation and distribution services. As on 31 December 2022, the company had a warehousing capacity of 129,924 pallets in 43 strategic locations across 17 Indian cities. SLL provides last-mile, inter-state and intra-city transportation services to its clientele through an own fleet (237 reefers) and leased vehicles. While the company already has a strong market position in the warehousing and transportation segments, it has started the distribution services from July 2022. These distribution services enable SLL to manage an entire network of supply chain for its clients which is expected to help in increasing the stickiness of the clients. The company has established relationships with some marquee corporate clients.

Healthy Financial Performance: SLL's revenue grew 21% yoy in FY22 to INR2,862 million, supported by 12% yoy growth in warehousing revenue and 34% growth in transportation revenue. The revenue from the warehousing segment (contributing :62% to FY22 revenue; FY21: 67%) grew to INR1,781 million in FY22 (FY21: INR1,585 million), led by an increase in the pallet capacity to 1,17,526 from 1,07,450 and higher occupancy levels of warehouses 89% in FY22 from 85% a year ago. While the presence in the dry and the dedicated warehousing for e-commerce clients also supports the warehousing revenue, the majority of the revenue continues to be driven by the company's strong presence in the cold chain storage. Additionally, the consistent growth in the total fleet size driven by a healthy demand supported the strong growth in the transportation segment (contributing 35% to FY22 revenue; FY21: 32%). The EBITDA margin moderated to 24.4% in FY22 (FY21: 27.4%) due to a slight increase in the fuel expenses and other operating expenses.

In 9MFY23, SLL generated a revenue of INR3,053 million (9MFY22: INR2,095 million), which, apart from the warehousing (contributing 51% to 9MFY23 revenue) and transportation revenue (30%), is also supported by the distribution revenue (18%), started in July 2022. Ind-Ra believes even though the distribution business (contributing nearly one fifth to the revenue), could impact the margins moderately in the medium term, it will lead to a diversification of revenue profile for the company in the longer run. The EBITDA margins stood at 21.9% in 9MFY23 (9MFY22: 26.6%). Revenue growth in the medium term is likely to be supported by (a) the company's focus on capacity expansion of 9,000 pallets in its cold chain storage, (b) expansion in the dry warehousing capacity and (c) consistent growth in the distribution business. The agency believes the ability of the company to maintain the profitability after the introduction of the trading and distribution segment remains a key rating monitorable.

Comfortable Credit Metrics: The company incurred a capital expenditure of INR1,027 million in FY22 which led to an increase in the gross debt (including lease liabilities) to INR2,654 million (FY21: INR2,204 million). This led to SLL's net adjusted leverage (net debt (including lease liabilities)/EBITDA) increasing to 3.3x at FYE22 from 2.7x at FYE21. The gross interest coverage (operating EBITDA/gross interest expense) was stable at 3.8x in FY22 (FY21: 3.8x) despite an increase in the interest, owing to higher profitability. However, with the EBITDA improvement in 9MFY23, and the likely moderate capex in FY23, the net leverage is likely to have reduced to 2x-2.5x in FY23, which is comfortable in the agency's view. The gross debt levels remained stable at INR2,639 million at end-1HFY23. Ind-Ra believes even if the company avails higher debt over the next two-to-three years, to partly fund the capex, the higher profitability should support the overall credit metrics with the net leverage not increasing materially in the medium term.

Liquidity Indicator - Adequate: SLL's liquidity profile is supported by steady internal cash generation. Ind-Ra expects SLL's cash flow from operations, which was around INR500 million in FY21 and FY22 each, to remain strong over the medium term as well, supported by healthy profitability as well as prudent working capital management. Ind-Ra has not factored into the ratings any financial support to and/or from GDL in its assumptions and believes SLL can manage the liquidity at the standalone level. While the capex of the company, which was moderate till FY21 is likely to increase over the near term, owing to the expansion plans of the company, the agency believes the company has the financial flexibility to partly fund the same through debt and partly through internal accruals. The liquidity is also supported by the company's unencumbered cash and bank balance of INR77 million as on 30 September 2022, undrawn lines of around INR350 million as against the debt repayment of around INR260 million and around INR290 million in FY24 and FY25, respectively. The average utilisation of the fund-based working capital limits stood low at 8% during the 12 months ended February 2023.

Moderate Linkages with Established Parent: GDL exercises a substantial control over the board. Both the companies operate in the logistic business and SLL leverages on group synergies. GDL is one of the largest private players in the container freight station and inland container depot businesses in India. Furthermore, SLL is well established among the leading organised players, providing temperature-controlled services in India. Although there are no intercompany transactions, both the companies benefit from the cross references and wider presence in the logistics sector.

Favourable Demand Prospects: Ind-Ra expects the company to benefit from the increasing presence of quick service restaurants and demand for newer avenues such as pharma and healthcare sector. There has been a growing demand for single-point end-to-end cold chain service providers by large multinational companies (MNCs). This has led to the emergence of organised private players such as SLL. There is an increasing demand for temperature-controlled services by the food industry due to growth in the organised food retail, increasing urbanisation and changing consumer consumption patterns. Also, some of SLL's regular customers such as McCain Foods (India) Private Limited and Hindustan Unilever Limited have to maintain high standards with independent audit and inspection, due to which the dependency on organised players is high.

Highly Fragmented Industry: The cold chain industry in India is dominated by the presence of several local players catering to localised markets. The organised players account for 8%-10% of the total cold chain industry market. SLL faces intense competition from the unorganised players. The fragmented nature of industry could constrain the pricing power and the operating profit margin of the company.

Rating Sensitivities

Positive: Developments that could, individually or collectively, lead to a positive rating action include:

- a consistent increase in the revenue and EBITDA, leading to a higher cash flow;
- a consistent increase in the return on capital employed; and/or
- strengthening of linkages with GDL.

Negative: Developments that could, individually or collectively, lead to a negative rating action include:

- a decline in the operating profitability resulting in lower cash flows;
- a higher-than-Ind-Ra-expected debt-funded capex, leading to an increase in the net leverage above 2.75x on a sustained basis; and/or
- weakening of the linkages with GDL or any change in the credit profile of GDL.

Company Profile

Incorporated in 1993, SLL is a leading player in the cold chain storage industry, offering a complete range of facilities for the storage, transportation of frozen and chilled products, operating across 43 strategic locations across 17 cities with an installed capacity of 129,924 pallets as on 31 December 2022. SLL has international certifications and GDL is the largest shareholder in the company (holds: 40.25%).

FINANCIAL SUMMARY

Parameters	FY22	FY21
Revenue (INR million)	2,862	2,371
EBITDA (INR million)	697	650
EBITDA Margin (%)	24.4	27.4
Interest coverage (x)	3.8	3.8
Net leverage (x)	3.3	2.7
Source: SLL, Ind-Ra		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity
Term loans	Low
Fund-based limits	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

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