



The Pakistan Credit Rating Agency Limited

**Rating Report**

**Cordoba Logistics & Ventures Limited**

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
30-Jun-2022	BBB-	A2	Stable	Initial	-

**Rating Rationale and Key Rating Drivers**

Cordoba Logistics and Ventures Limited (“CLVL”) is a public listed company, primarily established for providing logistics services by renting out commercial vehicles (Buses & LCVs) to provide one window solution and to reduce lead time. To outspread business footprints, CLVL is positioned itself to invest in other business ventures such as e-commerce, retail, fintech, and information technology. The key customers are prominent industry players. The ratings take comfort from (a) fixed income from the rental-based asset deployment model and (b) Sponsors showed firm commitment for a fresh equity injection of PKR 500mln through the right issue, albeit the right issue is not fully subscribed, all legal formalities have been finalized and public disclosures have been issued and (c) maintaining / undeviating debt to equity ratio of 1. The Company belongs to the Elahi Group a fact also incorporated into ratings. CLVL is expected to receive benefits from the group’s long-standing customer base. CPEC will be a game-changer for the Logistics Sector of Pakistan and will bring huge opportunities. As per China’s vision to move 300-400 Million Tons per year from the CPEC route in the year 2030. According to Pakistan Automotive Manufacturing Association (PAMA), the offtake of trucks and buses between Jul’21 and Mar’22 observed an upward trend depicted ~54% growth from the same period last year. The board comprises eight members including one executive director, three non-executive directors, three independent directors, and one nominee director. The company is taking cognizance of the corporate governance structure and formulated committees at board levels. The Company is led by a team that includes qualified professionals with vast & diversified experience. The Company's external auditor is Parker Russell-A.J.S Chartered Accountants having a satisfactory QCR rating and is categorized 'B' in the list of SBP-approved auditors.

Rating is dependent on the successful implementation of business strategy as depicted in financial projections, generating sustainable revenue streams, prudent financial performance, an effective liquidity profile, and maintaining a financial discipline shall remain imperative.

Disclosure	
<b>Name of Rated Entity</b>	Cordoba Logistics & Ventures Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Corporate Rating(Jun-21),Criteria   Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Trucks & Buses(Dec-21)
<b>Rating Analysts</b>	Sohail Ahmed Qureshi   sohail.ahmed@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Cordoba Logistics and Ventures Limited (“CLVL”) formerly known as Mian Textile Industries Limited was incorporated in Pakistan in 1986 as a Public Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated in Gulberg-III, Lahore.

**Background** The company was principally engaged in the business of manufacturing, selling, and export of textile products. In April 2021, Mr. Danish Elahi from Elahi Group acquired majority shareholding of the company. After the acquisition, the management successfully managed to turn around the company by changing its principal line to logistics and other ventures business.

**Operations** Cordoba Logistics and Venture Limited: There are three main divisions; the first one is Vehicle Rentals, CLVL rents busses/trucks to transport companies in Pakistan. The second one is Logistics services: CLVL offers end-to-end logistics services. CLVL is a B2B model and some of its clients include Daewoo and FindTech. The third one is Ventures: CLVL is an active participant in the startup space and has made recent investments in Trukkr, Cotton Candy, and Finox. CLVL will have a diverse investment portfolio. CLVL has already invested in startups focusing on logistics, FinTech, and E-Commerce retail and plans to invest further in the blossoming startup space.

## Ownership

**Ownership Structure** Mr. Danish Elahi from Elahi Group of Companies holds the majority shareholding of the company (~ 66%) with the general public holding (~34%).

**Stability** Ownership structure of the Company displays a composite outlook, with a defined shareholding pattern.

**Business Acumen** Business acumen of the Sponsor in relation to the related business is considered adequate as Mr. Danish Elahi for many years has led Elahi Group to now have a strong presence in the sectors it has been involved with including logistics, warehousing, commodity trading, supply chain management, power transmission network, pharmaceutical and passenger transportation network in Pakistan. one of the largest warehousing / service provider in the country and has

**Financial Strength** Elahi Group of Companies is one of the largest warehousing/service providers in the country and has strategic stakes in companies from different sectors including FinTech, E-commerce, FMCG, Steel & Allied Manufacturing, Health-tech, and Switch Gear. Financial strength of the sponsor is strong.

## Governance

**Board Structure** The overall control of the company vests in eight members board of directors. The board structure comprises one executive director, three non-executive directors, three independent directors, and one nominee director.

**Members’ Profile** Members of the board have a good mix of skills and experience. The Chairman, Mr. Zeshan is a seasoned corporate professional, who has worked with KPMG NY. He is currently serving on the board of NetSol Technologies, Sadaqat Textile Limited, and has previously served on the board of Arif Habib Limited. Mr. Muneer Kamal - independent director - diverse Corporate Governance experience includes having served as Chairman Pakistan Stock Exchange, Chairman National Bank of Pakistan, Director Engro Corp, Director DH Corp, Trustee Shaukat Khanum Memorial Hospital, and Director Government Holding Private Ltd. Muneer Kamal’s career in banking and financial services, spanning four decades, started with Citibank Pakistan and served in many local and international positions. He served as President & CEO of Faysal Bank, Union Bank, and KASB Bank successively.

**Board Effectiveness** The board meetings are formally held with a detailed agenda shared with board members prior to the meeting. The attendance of the directors in board meetings is considered strong. Meeting minutes are also formally maintained.

**Financial Transparency** The board has two committees in place to oversee and assist the Board in the company’s operational and financial matters. These committees include 1) Audit committee and 2) Human Resource & Remuneration Committee (HR&R). Parker Russell-A.J.S Chartered Accountants having satisfactory QCR ratings and categorized 'B' in the list of SBP approved auditors are the external auditor of the Company.

## Management

**Organizational Structure** The Company operates through five departments, each headed by an experienced manager. These departments include (i) Logistics division (ii) Finance & Accounts Division (iii) Ventures Division (iv) Internal Audit (v) Human Resources. The company is at its initial stage therefore the organizational structure is gradually improving.

**Management Team** The CEO, Mr. Misbah Khalil Khan, holds an MBA from the Mannheim Business School in Germany and an undergraduate degree from IBA, Karachi. Mr. Misbah is involved in all strategic and key business matters and financial decisions of the company. The management is equipped with strong technical skills and enjoys a long association with the group.

**Effectiveness** Senior management meetings are conducted regularly for discussion and decision making purposes. In addition, weekly management meetings are also held in which performance and targets of all the concerned departments are discussed in detail.

**MIS** The company is using in-house built software “Accounting System”. The company’s MIS generates Balance Sheet, Profit and Loss, and Cash flow statements on a weekly basis for the Board. The MIS generated reports are reviewed by the top management on a daily basis.

**Control Environment** The company maintains a sound internal control system to provide reasonable assurance against efficiency and effectiveness of operations, while the Board Audit Committee reviews the internal control system based on an assessment of risks and reports to the Board of Directors.

## Business Risk

**Industry Dynamics** The proposed infrastructure of road and rail that will be constructed under CPEC will be a game-changer for the Logistics Sector of Pakistan while bringing in huge opportunities. As per China’s vision to move 300-400 Million Tons per year from CPEC route in the year 2030, long-haulage will scale up considerably which will bring heightened opportunities. Developments of Industrial Parks and Special Economic Zones of CPEC would add to and further strengthen the road infrastructure facilitating the flow of the trucks from and to these SEZs. High population spread over the vast territory of Pakistan signifies the importance of an efficient logistics system to ensure availability of goods and services to all and sundry living across the country. This has made the logistics industry an important contributor to the overall economy of Pakistan. Logistics industry of Pakistan is about 23% of the service sector and provides approximately 6% of the total employment.

**Relative Position** Overall this industry is highly fragmented and mostly divided into an unorganized sector. While the remaining market share is divided into major players like Agility, National Logistics Cell, and Secure Logistics Group Pvt. Ltd. The company is an emerging player in the fragmented logistics sector, garnering a decent foothold.

**Revenues** After changing its Principal line of business to logistics and other ventures and renaming to Cordoba Logistics & Ventures Limited in August of CY21. The company generated revenue of PKR 3mln in 1HFY22.

**Margins** The company started its business in August 2021, gross margins stood at ~73% in 1HFY22. The operating margin was recorded at ~ -58% while the net profit margin was recorded at ~ -55%. The net loss showed was reported at PKR ~2mln.

**Sustainability** The management at Cordoba Logistics and Ventures Limited prepares budgets and projections for their internal purposes and as per the Board requirements in line with their strategic planning and how aggressively they see themselves growing in the future.

## Financial Risk

**Working Capital** Net working capital days of the company were recorded at ~ -38days as at 1HFY22 while current ratio stood at 6x. The company has not availed any running finance facilities.

**Coverages** Free Cash Flow from operations of the company stood at PKR ~ -2mln in 1HFY22.

**Capitalization** Capital structure of the company remained sustained during 1HFY22. The company has a plan intact to raise equity from suitable partners and borrowings from financial institutions.



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Financial Summary

PKR mln

Cordoba Logistics and Ventures Limited Truck & Buses	Dec-21 6M	Jun-21 12M	Jun-20 12M	Jun-19 12M
<b>A BALANCE SHEET</b>				
1 Non-Current Assets	0	0	3	4
2 Investments	110	14	-	-
3 Related Party Exposure	-	-	-	-
4 Current Assets	25	28	29	78
a Inventories	-	-	-	-
b Trade Receivables	0	-	2	2
5 Total Assets	135	42	32	82
6 Current Liabilities	4	1	8	9
a Trade Payables	1	-	1	1
7 Borrowings	-	-	-	-
8 Related Party Exposure	-	27	1	35
9 Non-Current Liabilities	-	-	4	4
10 Net Assets	131	14	19	34
11 Shareholders' Equity	131	14	19	34
<b>B INCOME STATEMENT</b>				
1 Sales	3	-	-	2
a Cost of Good Sold	(1)	-	-	(2)
2 Gross Profit	2	-	-	0
a Operating Expenses	(4)	(11)	(14)	(21)
3 Operating Profit	(2)	(11)	(14)	(21)
a Non Operating Income or (Expense)	0	5	(0)	115
4 Profit or (Loss) before Interest and Tax	(2)	(5)	(15)	94
a Total Finance Cost	-	(0)	(0)	(0)
b Taxation	-	-	-	(0)
6 Net Income Or (Loss)	(2)	(5)	(15)	94
<b>C CASH FLOW STATEMENT</b>				
a Free Cash Flows from Operations (FCFO)	(2)	(9)	(14)	(12)
b Net Cash from Operating Activities before Working Capital Changes	(2)	(9)	(14)	(12)
c Changes in Working Capital	1	(2)	(2)	(5)
1 Net Cash provided by Operating Activities	(1)	(11)	(15)	(17)
2 Net Cash (Used in) or Available From Investing Activities	(97)	(12)	(0)	411
3 Net Cash (Used in) or Available From Financing Activities	94	26	(34)	(343)
4 Net Cash generated or (Used) during the period	(4)	4	(50)	51
<b>D RATIO ANALYSIS</b>				
1 Performance				
a Sales Growth (for the period)	--	N/A	N/A	--
b Gross Profit Margin	73.3%	N/A	N/A	7.2%
c Net Profit Margin	-54.6%	N/A	N/A	4432.5%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	-35.6%	N/A	N/A	-818.9%
e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh	-4.5%	N/A	N/A	277.5%
2 Working Capital Management				
a Gross Working Capital (Average Days)	12	N/A	N/A	331
b Net Working Capital (Average Days)	-38	N/A	N/A	221
c Current Ratio (Current Assets / Current Liabilities)	6.0	22.0	3.6	8.6
3 Coverages				
a EBITDA / Finance Cost	N/A	N/A	N/A	N/A
b FCFO / Finance Cost+CMLTB+Excess STB	N/A	N/A	N/A	N/A
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	0.0	-3.0	0.0	-2.9
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	0.0%	66.3%	3.0%	50.8%
b Interest or Markup Payable (Days)	N/A	N/A	N/A	N/A
c Entity Average Borrowing Rate	0.0%	0.0%	0.0%	0.0%

**Credit Rating**

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	<b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	<b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	<b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	<b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	<b>Very high credit risk.</b> Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*\*The correlation shown is indicative and, in certain cases, may not hold.*

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):

<p><b>Entities</b></p> <ul style="list-style-type: none"> <li>a) Broker Entity Rating</li> <li>b) Corporate Rating</li> <li>c) Financial Institution Rating</li> <li>d) Holding Company Rating</li> <li>e) Independent Power Producer Rating</li> <li>f) Microfinance Institution Rating</li> <li>g) Non-Banking Finance Companies (NBFCs) Rating</li> </ul>	<p><b>Instruments</b></p> <ul style="list-style-type: none"> <li>a) Basel III Compliant Debt Instrument Rating</li> <li>b) Debt Instrument Rating</li> <li>c) Sukuk Rating</li> </ul>
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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

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(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

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(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

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(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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