



SMERA RATINGS LIMITED

Seaport Logistics Private Limited (SLPL)

Rating
Rationale**November 04, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.10	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Bank Guarantee	10.00	SMERA A3 (Upgraded from SMERA A4+)

SMERA has upgraded the long-term rating on Rs.5.10 crore bank facilities of Seaport Logistics Private Limited (SLPL) to **'SMERA BBB-' (read as SMERA triple B minus)** from 'SMERA BB+' (read as SMERA double B plus). And short term rating on the Rs. 10.00 crore to **'SMERA A3' (read as SMERA A three)** from 'SMERA A4+' (read as SMERA A four plus). The outlook is **'Stable'**.

The upgrade is in view of growth in scale of operations and recent expansion done by the company. The ratings continue to draw comfort from the company's experienced management, reputed customer base and healthy financial risk profile. However, the rating remains constrained by the company's working capital-intensive operations and intense competition from several players in the logistic industry.

Update

SLPL's revenues increased from Rs. 86.16 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.145.98 crore in FY2014-15 on the back of higher demand from stevedoring income. For half yearly 2015(April 01 to October 01) the company has registered operating income of Rs. 160 crore. SLPL operating margins have been stable ~ 9 percent in FY 2014-15 and 2013-14. In February 2014-15 SLPL has bought three barges ~Rs. 15 crore which was funded through internal accruals. Initially the company was operating on rented barges. SMERA believes with the recent expansion done by the company operating margins are expected to improve in medium term.

The rating continues to derive support from the promoters of the company have around two decades of experience in the logistics industry. SLPL also benefits from its long-standing relations with several reputed customers such as Tamil Nadu Newsprint and Papers Limited, Ramco Cements Limited, The India Cements Limited and Coastal Energy Private Limited. SLPL's operates with healthy financial risk profile marked by debt to equity of 0.90 times and Interest coverage of 8 times as on 31st March 2015.

However, SLPL's operations are working capital intensive marked by high bank limit utilisation of ~ 96 percent during March to August 2015.

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Outlook: Stable

SMERA believes that the outlook of SLPL will remain stable over the medium term. The outlook will be revised to positive in case of SLPL is able to improve profitability and liquidity profile. On the contrary the outlook shall be revised to negative in SLPL's inability to fails to achieve the projected scalability amidst intensifying competition in its area of operations thereby impacting profitability or elongating its working capital cycle with resultant impact on debt protection metrics.

About the company

SLPL, incorporated in 1994, is a Chennai-based company promoted by Mr. Mohamed Shamsudeen Tajudeen. Mr. Shamsudeen Nizamudeen Mohamed, Mr. Mohamed Shamsudeen Saifudeen and Mr. Tajudeen Mohamed Kaizer are the other directors of SLPL. SLPL is engaged in providing stevedoring and logistics services.

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