

Southern Cargo Carriers (India) (SCC): Upgraded

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	14.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)

SMERA has upgraded the rating on the Rs.14.00 bank facilities of Southern Cargo Carriers (India) (SCC) to '**SMERA BBB-**'(read as SMERA triple B minus) from 'SMERA BB+' (read as SMERA double B plus). The outlook is '**Stable**'.

The rating upgrade takes into account the firm's healthy growth in revenues, accruals and net worth. The firm has maintained comfortable debt protection metrics. The rating is also supported by the experienced management and reputed customer base. However, the rating continues to remain constrained by the firm's exposure to intense competition in the transportation services industry and risks related to the partnership constitution of the firm.

Update

SSC, established in 1991, is a Bangalore-based partnership firm engaged in transportation services. The firm's operating income rose by 23.09 per cent on y-o-y basis in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.166.86 crore compared to Rs.135.55 crore in the previous year largely due to increasing demand for transportation services from its key customer- Pepsico India Holdings. Further, in FY2015-16, the firm reported operating income of around Rs.176.45 crore, a 5.75 per cent growth on y-o-y basis. The firm's accruals have increased from Rs.4.5 crore in 2013-14, to around Rs.6.02 crore (provisional) in 2015-16. The net worth increased substantially from Rs.9.46 crore as on March 31, 2014 to Rs.14.64 crore as on March 31, 2016.

The coverage indicators of the firm are healthy marked by interest coverage ratio (ICR) of 4.73 times and net cash accruals to total debt ratio (NCATD) of 0.36 times for FY2015-16 (provisional) as compared to ICR of 3.97 times and NCATD of 0.20 times a year earlier.

SSC benefits from its experienced management and reputed customer base. The partners of the firm have around three decades of experience in the industry. Besides, the firm has a reputed customer base, with Pepsi India Holdings, Hindustan Unilever Limited, ITC Limited bringing in maximum revenue.

However, SSC faces intense market competition in the transportation services industry. The firm's financial risk profile is susceptible to withdrawal of capital, an inherent risk in partnership entities.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management

Outlook-Stable

SMERA believes that SCC will continue to benefit over the medium term from its promoters' experience in the industry. The outlook may be revised to 'Positive' in case the firm is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the firm's revenue and profit margins.

About the Firm

SSC, established in 1991, is a Bengaluru-based partnership firm promoted by Mr. Mittal and family. The firm is engaged in transportation services with a fleet of around 500 trucks and caters to corporate clients.

For FY2015-16, SSC reported profit before tax (PBT) of Rs.5.16 crore (Provisional) on operating income of Rs.176.45 crore, as compared with PBT of Rs.3.17 crore on operating income of Rs.166.86 crore.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
16 Mar, 2015	Cash Credit	14.00	SMERA BB+	-	Stable

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ABOUT SMERA

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