

## Press Release

### SOUTHERN CARGO CARRIERS (INDIA)

October 16, 2017

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs. 14.00 Cr.
<b>Long Term Rating</b>	SMERA BBB / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BBB**' (read as SMERA BBB) on the Rs. 14.00 crore bank facilities of SOUTHERN CARGO CARRIERS (INDIA). The outlook is '**Stable**'.

Southern Cargo Carriers India (SCC), incorporated in 1991, is a Bangalore-based partnership firm established by Mr. Mahesh Kumar Mittal, Mr. Satish Kumar Mittal, Mr. Sital Kumar Mittal and Mr. Mohit Kumar Mittal. The firm is engaged in transportation services and has a fleet of around 500 trucks. It caters to corporate clients. The rating upgrade is due to the healthy revenue growth, improvement in the financial risk profile and debt protection metrics.

#### Key Rating Drivers

##### Strengths

###### • Experienced management

SCC benefits from its experienced management. The partners have around three decades of experience in the logistics business. SMERA believes that SCC will continue to benefit from its experienced management and established relations with clients.

###### • Reputed clientele

The firm caters to reputed clients such as Pepsi India Holdings, Hindustan Unilever ltd, ITC Limited, Provimi Animal Nutrition Pvt Ltd and others. It is the sole authorised cargo carrier for Pepsi India Holdings for Karnataka and Andhra Pradesh. SCC registered revenue of Rs. 55 crore from April 17 to July 17.

###### • Healthy business riskprofile

SCC registered revenue growth of ~12 per cent in FY2016-17 (Provisional) over the previous year. Revenue stood at Rs.199.35 crore in FY2016-17 (Provisional) as against Rs.177.25 crore in FY2015-16. The operating margins improved marginally from 4.79 per cent in FY2015-16 to 5.03 per cent in FY2016-17 (Provisional). The firm has healthy net cash accruals of Rs. 7.95 crore in FY2015-16 and Rs.6.02 crore in FY2016-17 (Provisional) with term debt obligations of around Rs.0.75 crore. SMERA believes that SCC will maintain a healthy business risk profile on the back of its established market presence in Karnataka.

###### • Healthy financial risk profile and working capital cycle

SCC has a healthy financial risk profile marked by tangible networth of Rs.21.07 crore as on 31 March, 2017 (Provisional) as against Rs.12.39 crore as on 31 March, 2016. The gearing improved to 0.06 times as on 31 March, 2017 (Provisional) as against 1.42 times as on 31 March, 2016. The total debt of Rs.1.19 crore as on 31 March, 2017 consists of term loan. SCC has healthy interest coverage ratio of 10.11 times in FY2016-17 (Provisional) as against 7.38 times in FY2015-16. Going forward, the gearing is expected to remain comfortable in the medium term on account of the absence of future external borrowing. The working capital cycle has remained comfortable at five days in FY2017 (31 days in FY2016). The firm has efficiently managed its working capital requirements reflected with nil utilisation of bank limits for the six months ended October 2017. SMERA believes that SCC will sustain its healthy financial risk profile on the back of healthy cash accruals and absence of debt funded capex plans.

## Weaknesses

### • Risk of capital withdrawal

The firm is exposed to risk of capital withdrawal considering its partnership constitution. However, there have been no instances of capital withdrawal during the period under study.

### • Intense competition

SCC operates in a highly competitive and fragmented industry with large numbers of players (RCI Logistics Pvt. Ltd, Associated Movers & Packers, Southern Freight Carriers Pvt. Ltd etc).

## Analytical Approach

SMERA has considered the standalone business and financial risk profile of SCC.

## Outlook: Stable

SMERA believes that SCC India will maintain a stable outlook and continue to benefit over the medium term from its promoters extensive experience in the industry. The outlook may be revised to 'Positive' in case the firm registers healthy revenues and sustains profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins.

## About the Rated Entity - Key Financials

For FY2015-16, SCC reported net profit of Rs.7.08 crore on total operating income of Rs.177.25 crore compared to net profit of Rs.3.17 crore on total operating income of Rs.166.86 crore in FY2014-15. The tangible net worth stood at Rs.12.39 crore as on 31 March, 2016 as against Rs.10.45 crore in the previous year. As per provisional financials for FY2016-17, SCC reported PAT of Rs. 6.02 crore on total operating income of Rs.199.35 crore.

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>

## Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Jun-2016	Cash Credit	Long Term	INR 14	SMERA BBB- / Stable
16-Mar-2015	Cash Credit	Long Term	INR 14	SMERA BB+ / Stable

## \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA BBB / Stable

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## ABOUT SMERA

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