

Press Release

Life Care Logistic Private Limited (LCLPL)

February 15, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 Cr
Long Term Rating	SMERA BBB/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA BBB**' (read as SMERA triple B) on the Rs.20.00 cr bank facilities of Life Care Logistic Private Limited (LCLPL). The outlook is '**Stable**'.

LCLPL, part of the Life Care group, was incorporated in 2002. Promoted by Mr. Vaibhav Rai, the company is a C&F agent and provides warehousing and logistics services.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company is led by Mr. Vaibhav Rai, Managing Director, who has more than two decades of experience in the logistics industry.

Reputed and diversified clients: LCLPL has an established customer base and includes reputed names such as Asian Paints Limited, Colgate Palmolive (India) Limited, Panasonic India Private Limited among others.

Established relationships: The company has an established presence in seven states spanning the western and southern regions of the country.

Healthy financial risk profile: The financial risk profile continues to remain healthy in FY2015-16. The gearing is moderate at 1.79 times as on March 31, 2016 (0.42 times as on March 31, 2015). The interest coverage ratio has been healthy at 9.67 times in FY2015-16 with DSCR at 7.06 times. The networth increased from Rs.16.28 cr as on March 31, 2015 to Rs. 22.11 cr as on March 31, 2016.

Weaknesses:

Uneven profit margins: The profit margins have registered a decline. For FY2015-16, the company registered EBIDTA margins of 21.37 per cent as compared to 26.22 per cent for FY2014-15. The decline is due to increase in direct costs. Similarly, the PAT margins fell from 16.48 per cent in FY2014-15 to 11.49 per cent in FY2015-16 due to increase in interest cost from Rs.0.26 cr in FY2014-15 to Rs.1.13 cr in FY2015-16.

Working capital intensive operations: The operations are working capital intensive evident from the GCA of 59 days for FY2015-16 as against 64 days for FY2014-15.

Debt funded capex plan: The rating continues to be constrained by the debt funded capex plan. The company plans to construct its own warehouse for which it has taken a term loan of Rs.35.00 cr. After considering external borrowing for capex, the debt protection metrics continue to remain at a comfortable level.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Service Sector: <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that LCLPL will continue to benefit over the medium term owing to its experienced management and established presence in the logistics industry. The outlook may be revised to 'Positive' in case the company registers improvement in scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

LCLPL was promoted by Mr. Vaibhav Rai. The company is a C&F agent and provides warehousing and logistic services. It has over 50 branches and around 1625000 square feet of warehousing and storage space. Its fleet size is 343 (multipurpose vehicles).

The company reported profit after tax (PAT) of Rs.5.83 cr on operating income of Rs.50.28 cr for FY2015-16, as compared with PAT of Rs.7.04 cr on operating income of Rs.42.71 cr in FY2014-15. The net worth stood at Rs.22.11 cr as on 31 March, 2016 against Rs.16.28 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Corporate Loan	LT	10.00	SMERA BBB/Stable (Reaffirmed)	30 Nov, 2015	SMERA BBB/Stable (Assigned)	-	-	-	-
Overdraft	LT	10.00	SMERA BBB/Stable (Reaffirmed)	30 Nov, 2015	SMERA BBB/Stable (Assigned)	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Term Loan	N.A	N.A	2020	10.00	SMERA BBB/Stable (Reaffirmed)
Overdraft	N.A	N.A	NA	10.00	SMERA BBB/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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