

Press release

Trans Earth Logistics Private Limited

18 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as SMERA double B) to the Rs.7.00 crore facilities and short term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.1.00 crore facilities of Trans Earth Logistics Private Limited (TELP). The outlook is '**Stable**'.

TELP was incorporated at Chennai in 2013 by Mr. Arun Anbazaghan and Mr. Vivek Papisetty. The company is engaged in stevedoring services and bulk cargo transportation of coal, steel, boulders, pond ash and construction material. The company has two branches at Tamil Nadu and one in Andhra Pradesh and Karnataka each. TELP operates 49 trucks with total capacity of 1786 tonnes.

Key Rating Drivers

Strengths

Experienced management

TELP was incorporated in 2013. The Promoters, Mr. Papiseti and Mr. Anbazaghan have around seven years of experience in the field of stevedoring and bulk cargo transport. This has helped the company develop a diverse and established client base.

Reputed clientele

TELP caters to reputed clients including India Cements Ltd., JSW Cement Ltd., Vedanta Ltd., to name a few. Of the total revenue of Rs.35.17 crore in FY2017, ~61 percent was derived from top 10 customers.

Healthy revenue and profitability growth

The CAGR increased by 68 percent marked by operating income of Rs.35.17 crore in FY2017 as against Rs.23.24 crore in FY2016 and Rs.12.47 crore in FY2015. The operating margins increased to 10.05 percent in FY2017 as against 7.98 percent in FY2016 and 6.11 percent in FY2015. However, the PAT margins are thin at 1.39 percent in FY2017 as against -0.56 percent in FY2016 and -0.72 percent in FY2015. The company has been able to achieve growth in revenue due to addition of trucks and scaling up of operations.

Weaknesses

Competitive and fragmented industry

TEPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting margins.

Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.5.45 crore in FY2017 which increased from Rs.4.96 crore in FY2016. The gearing increased to 2.01 times as on 31 March, 2017 as against 1.58 times in the previous year. The total debt stood at Rs.10.93 crore which comprises long term debt of Rs.5.64 crore and short term working capital loan of Rs.5.29 crore. The Interest Coverage Ratio increased to 2.90 times for FY2017 as against 2.46 times in the previous year. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.54 times as on 31 March, 2017 as against 1.86 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times in FY2017 compared to 0.11 times in the previous year.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of TELPL.

Outlook: Stable

SMERA believes that TELPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	35.17	23.24	12.47
EBITDA	Rs. Cr.	3.54	1.85	0.76
PAT	Rs. Cr.	0.49	-0.13	-0.09
EBITDA Margin	(%)	10.05	7.98	6.11
PAT Margin	(%)	1.39	-0.56	-0.72
ROCE	(%)	14.03	9.85	10.66
Total Debt/Tangible Net Worth	Times	2.01	1.58	1.84
PBDIT/Interest	Times	2.90	2.46	3.12
Total Debt/PBDIT	Times	3.09	3.91	5.45
Gross Current Assets (Days)	Days	94	107	125

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

Any other information: Not Applicable

Applicable Criteria

- Default Recognition -<https://www.smera.in/criteria-default.htm>
- Service Sector- <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments -<https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+/ Stable

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ABOUT SMERA

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