

Press Release

Life Care (LC)

21 February, 2018



Rating Upgraded, Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 21.00 Cr. (Enhanced from Rs. 10.40 Cr.)
Long Term Rating	SMERA B+ (Upgraded from SMERA B/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer annexure for details

SMERA has upgraded the long term rating to '**SMERA B+** (read as SMERA B plus) from '**SMERA B** (read as SMERA B) and reaffirmed the short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 6.25 crore bank facilities of Life Care (LC). Further SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus) on the Rs. 14.75 crore bank facilities.

The upgrade is in view of the growth in revenue and profitability margins. SMERA believes that going ahead, the firm will sustain the same over the medium term.

LC, established in 1996 by Mr. Vishal Rai, Mrs. Vinita Rai and Mr. Vaishnava Rai is a carrying and forwarding agent. The partnership firm provides warehousing and transportation services and caters to various sectors including pharmaceuticals, electronic durables and tea. It has operations spread across Madhya Pradesh, Chhattisgarh and Maharashtra. Further in 2017, the firm set up two solar roof top PV plants of 1.0 MW each at Tumkur district, Karnataka and entered into a Power Purchase Agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for 25 years.

Key rating drivers

Strengths

Long track record of operations and experienced management

LC was established in 1996 by Mr. Vishal Rai, Mrs. Vinita Rai and Mrs. Timsi Rai who possess over two decades of experience in the logistics industry. It caters to reputed companies such as Marico Limited, Pepsico India Holdings Private limited, Becton Dickinson India Limited among others.

Weaknesses

Below average financial risk profile

LC has above average financial risk profile marked by tangible net worth of Rs. 5.76 crore as on 31 March, 2017 as against Rs. 1.84 crore as on 31 March, 2016. The gearing stood high at 3.70 times as on 31 March, 2017 as against 5.42 times as on 31 March, 2016. The debt of Rs. 21.35 crore mainly consists of term loans of Rs. 20.37 crore and unsecured loans of Rs. 0.98 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 2.99 times for FY2017 as against 2.51 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.12 times as on 31 March, 2017 as against 7.03 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2017 as against 0.17 times as on 31 March, 2016.

Uneven revenue trend

The firm registered operating income of Rs.10.76 crore in FY2017, Rs. 12.59 crore in FY2016 and Rs. 11.38 crore in FY2015. Further, during April 2017 to October 2017, the firm booked revenue of Rs. 6.00 crore. SMERA expects revenue growth to be moderate in the near to medium term backed by additional revenues from the solar plant project.

Debt funded capital expenditure

The firm has set up two solar roof top PV plants of 1.0 MW each at Tumkur district, Karnataka in 2017. The project cost is funded majorly by term loans of Rs. 14.75 crore. Timely servicing of the debt obligation thus will be a key rating sensitivity.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of LC to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.76	12.59	11.38
EBITDA	Rs. Cr.	2.57	2.56	2.21
PAT	Rs. Cr.	1.43	1.34	2.62
EBITDA Margin	(%)	23.87	20.37	19.47
PAT Margin	(%)	13.25	10.64	23.07
ROCE	(%)	13.46	22.27	39.27
Total Debt/Tangible Net Worth	Times	3.70	5.42	5.21
PBDIT/Interest	Times	2.99	2.51	3.54
Total Debt/PBDIT	Times	6.97	3.44	2.27
Gross Current Assets (Days)	Days	406	191	185

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Sector - <https://www.smera.in/criteria-services.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>

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

The rating was due for a review in December 2017. BWR took up with the issuer to provide required information over emails dated 15.11.2017, 22.11.2017, 27.11.2017, 1.12.2017, 6.12.2017, 4.1.2018 and through telephone calls. Despite the best efforts of BWR to get at least the minimum required information for a review, the entity has not provided the same. The matter was took up to the Banker also. In the absence of adequate information from the issuer/Company, BWR is unable to assess the issuer's/Company's financial performance and its ability to service its debt and maintain a valid rating.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12-Oct, 2017	Cash Credit	Long Term	2.00	SMERA B (Indicative)
	Term Loan	Long Term	8.00	SMERA B (Indicative)
	Bank Guarantee	Short Term	0.40	SMERA A4 (Indicative)
25-Jul, 2016	Cash Credit	Long Term	2.00	SMERA B/ Stable (Assigned)
	Term Loan	Long Term	8.00	SMERA B/ Stable (Assigned)
	Bank Guarantee	Short Term	0.40	SMERA A4 (Assigned)

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	2.00	SMERA B+ /Stable (Upgraded from SMERA B)

Term loans	Not Applicable	Not Applicable	Not Applicable	3.85 (Revised from Rs. 8.00 crore)	SMERA B+ /Stable (Upgraded from SMERA B)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ /Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.75	SMERA B+ /Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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