

Press Release

Life Care

November 20, 2019

Rating upgraded



Total Bank Facilities Rated*	Rs.21.00 Cr.
Long Term Rating	ACUITE B-/ Outlook: Stable (Upgraded from ACUITE D and ACUITE C)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE D**' (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) to the Rs.21.00 crore bank facilities of Life Care (LC). The outlook is '**Stable**'.

The upgrade is on account of timely servicing of the debt repayment obligation and curing of the default.

LC, established in 1996 by Mr. Vishal Rai, Mrs. Vinita Rai and Mr. Vaishnava Rai is engaged in providing carrying and forwarding agent services. The partnership caters to various sectors including pharmaceuticals, electronic durables and tea among others. Its operations spread across Madhya Pradesh, Chhattisgarh and Maharashtra.

Analytical Approach

Acuite has considered standalone business and financial risk profile of LC to arrive at the rating.

Key Rating Drivers

Strengths

• Established presence of the promoters in logistic industry

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.

Acuite believes that the company will benefit of its long standing presence and healthy relationship with reputed customers over the medium term.

Weaknesses

• Weak financial risk profile

LC has weak financial risk profile marked by low tangible net worth of Rs.4.08 crore as on 31 March, 2019 as against Rs.3.91 crore as on 31 March, 2018. The gearing stood high at 5.13 times as on 31 March, 2019 as against 5.77 times as on 31 March, 2018. The total debt of Rs.20.96 crore as on 31 March 2019 consists of term loans of Rs.17.20 crore, working capital borrowing of Rs.1.62 crore and unsecured loans from promoters of Rs.2.11 crores. The Interest Coverage Ratio (ICR) stood at 1.67 times for FY2019 as against 2.02 times in FY2018. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.69 times as on 31 March, 2019 as against 6.43 times as on 31 March, 2018. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31 March, 2019 as against 0.10 times as on 31 March, 2018.

Rating Sensitivities:

- Improvement in revenue and profitability margins.
- Debt funded capex leading to deterioration in financial risk profile.
- Elongation in working capital cycle affecting its liquidity position.

Material Covenants

None

Liquidity Position:

LC has stretched liquidity marked by net cash accruals of Rs.1.69-2.36 crore during FY19 and FY18 vis-à-vis debt obligation of ~Rs.2.20 crore during the same period. The company has been regular in servicing its debt obligations over the last three months ended October 2019. The Cash Credit facility has remained 100% utilized over the last three months. The current ratio stood at 2.19 times as on as on 31 March, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	13.53	12.49	10.76
EBITDA	Rs. Cr.	3.24	3.89	2.57
PAT	Rs. Cr.	0.26	0.07	1.43
EBITDA Margin	(%)	23.91	31.13	23.87
PAT Margin	(%)	1.91	0.56	13.25
ROCE	(%)	10.79	8.90	13.46
Total Debt/Tangible Net Worth	Times	5.13	5.77	3.70
PBDIT/Interest	Times	1.67	2.02	2.99
Total Debt/PBDIT	Times	4.99	4.83	6.97
Gross Current Assets (Days)	Days	324	363	406

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jul-2019	Cash Credit	Long Term	2.00	ACUITE D (Reaffirmed)
	Term Loan	Long Term	4.86 (Enhanced from Rs.3.85 crore)	ACUITE D (Reaffirmed)
	Term Loan	Long Term	6.38 (Reduced from Rs.7.00 crore)	ACUITE D (Reaffirmed)
	Term Loan	Long Term	7.75	ACUITE D (Withdrawn)
	Bank Guarantee	Short Term	0.40	ACUITE D (Reaffirmed)
	Proposed Facility	Long Term	7.36	ACUITE C (Assigned)
26- Apr-2019	Cash Credit	Long Term	2.00	ACUITE D (Downgraded from ACUITE B+/Stable)

				Issuer not co-operating*
	Term Loans	Long Term	3.85	ACUITE D (Downgraded from ACUITE B+/Stable) Issuer not co-operating*
	Term Loans	Long Term	7.00	ACUITE D (Downgraded from ACUITE B+/Stable) Issuer not co-operating*
	Term Loans	Long Term	7.75	ACUITE D (Downgraded from ACUITE B+/Stable) Issuer not co-operating*
	Bank Guarantee	Short Term	0.40	ACUITE D (Downgraded from ACUITE B+/Stable) Issuer not co-operating*
21-Feb-2018	Cash Credit	Long Term	2.00	ACUITE B+/ Stable (Upgraded from ACUITE B/Stable)
	Term Loans	Long Term	3.85 (Reduced from Rs.8.05 crore)	ACUITE B+/ Stable (Upgraded from ACUITE B/Stable)
	Term Loans	Long Term	7.00	ACUITE B+/ Stable (Assigned)
	Term Loans	Long Term	7.75	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Reaffirmed)
12-Oct-2017	Cash Credit	Long Term	2.00	ACUITE B (Indicative)
	Term Loan	Long Term	8.00	ACUITE B (Indicative)
	Bank Guarantee	Short Term	0.04	ACUITE A4 (Indicative)
25-July-2016	Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	8.00	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	0.04	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B-/Stable (Upgraded from ACUITE D)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.86	ACUITE B-/Stable (Upgraded from ACUITE D)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.38	ACUITE B-/Stable (Upgraded from ACUITE D)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4 (Upgraded from ACUITE D)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	7.36	ACUITE B-/Stable (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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