

Press Release

Sevenseas Global Express Logistics Private Limited

March 15, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 12.50 crore bank facilities of Sevenseas Global Express Logistics Private Limited. The outlook is '**Stable**'.

Incorporated in 2005, Sevenseas Global Express Logistics Private Limited (SGELPL) is a Bangalore-based company engaged in freight forwarding. The company, promoted by Mr. Biju Thomas has 18 offices across India.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The Directors have more than 15 years of experience in global freight forwarding services.

- Established relationship with customers and suppliers**

SGELPL has established relationship with reputed customers - Aditya Infotech Limited, Vishaka Industries Limited, Bombay Rayon Fashions Limited to name a few. Around 20 per cent revenue is generated from the aforementioned reputed customers with the rest from its diversified client base in India and overseas. Additionally, SGELPL has established relationship with its suppliers - Maersk Line India Private Limited, Etihad Airways, Cathay Pacific Airways Limited among others..

- Moderate financial risk profile**

The moderate financial risk profile is marked by low net worth base of Rs 7.45 cr, moderate debt-equity of 1.41 times, comfortable interest coverage ratio of 2.30 times and DSCR of 2.12 times as on 31 March, 2016.

- Comfortable working cycle**

SGELPL has comfortable working capital cycle marked by gross current asset days of 66 in FY2016 as against 63 days in FY2015. The debtors days stood at 59 in FY2016 as against 55 in FY2015. The company does not hold any inventory.

Weaknesses

- Low and volatile profitability**

The EBITDA margins are low and volatile (3.05 per cent in FY2016, 2.69 per cent in FY2015 and 3.86 per cent in FY2014). The fluctuations are a result of higher overhead costs on commencement of domestic freight forwarding services in FY2015.

- Highly fragmented and competitive freight forwarding industry**

The company operates in a highly fragmented industry with stiff competition from organised and unorganised players in the domestic and international freight forwarding business.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of SGELPL.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the freight forwarding business. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue, profitability margins or significant deterioration in its capital structure due to stretch in working capital cycle or large debt-funded capex undertaken by the company.

About the Rated Entity - Key Financials

For FY2016, the company reported Profit after Tax (PAT) of Rs.0.70 cr on total operating income of Rs.105.63 cr as compared with PAT of Rs.0.19 cr on total operating income of Rs.105.77 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services 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>

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3

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ABOUT SMERA

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