

Press Release

Sevenseas Global Express Logistics Private Limited

20 April, 2018



Rating Reaffirmed

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 re-affirmed long-term rating of '**SMERA BBB-**' (read as SMERA triple B 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 (SGELPL). The outlook is '**Stable**'.

Incorporated in 2005, Sevenseas Global Express Logistics Private Limited (SGELPL) is a Bangalore based company engaged in global freight & forwarding, custom clearance and logistics services. The company, promoted by Mr. Biju Thomas and has 18 offices spread across India.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of SGELPL.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

The directors of SGELPL have more than 17 years of experience in global freight forwarding business.

Established relationship with customers and suppliers

SGELPL has established relationship with reputed customers - Fracht Fwo Ag, 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.

Comfortable Financial risk profile

The comfortable financial risk profile is marked by healthy debt protection metrics, moderate gearing and net worth base. The debt protection metrics is marked by comfortable interest coverage ratio of 2.46 times in FY 17 as compare to 2.30 times in the previous year. The DSCR stood at 1.44 times in FY 17 as compare to 1.53 times in FY 16. The NCA/ TD stood comfortable at 0.13 times in FY 17 as compare to 0.16 times in FY 16. The gearing stood moderate (debt-equity) of 1.55 times in FY 17 as compare to 1.44 times in FY 16. The net-worth stood moderate at Rs 8.31 crs in FY 17 as compare to Rs 7.45 crs in FY 16.

Improvement in operating income

During FY 2017-18, SGELPL has achieved a revenue of ~ Rs 134 crs (prov) thereby registering a y-o-y growth of 24 per cent. The growth in top line is on account of increase in sales in the global freight forwarding business from existing customers namely Fracht Fwo Ag and Aditya Infotech Limited.

Weaknesses

Dip in operating margins

During FY 2017-18, there has been a dip in the profitability margins. As per provisional FY 2017-18, EBITDA margins have dipped to 2.80 per cent from 3.16 per cent in the previous year. The net profit margins have also dipped in line with the operating margins. The fall in margins is on account of competition from other domestic and global players.

Moderate working capital cycle

There has been marginal deterioration in the working capital cycle marked by gross current asset days of 81 in FY 2017 as against 66 days in FY 2016 mainly on account of rise in debtor's days which stood at 66 in FY 2017 as against 59 days in FY 2016. The company on an average utilizes ~ 90-95 per cent of its fund based facilities of Rs 12.00 crs.

Presence in highly fragmented and competitive freight forwarding industry

The company operates in highly fragmented industry with stiff competition from organized and unorganized players in domestic and international market.

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters' extensive experience in the freight forwarding business. The outlook may be revised to 'Positive' if there is a substantial increase in the profitability margins and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its working capital cycle or large debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	108.02	105.63	105.77
EBITDA	Rs. Cr.	3.42	3.22	2.84
PAT	Rs. Cr.	0.77	0.70	0.19
EBITDA Margin	(%)	3.16	3.05	2.69
PAT Margin	(%)	0.72	0.66	0.18
ROCE	(%)	13.38	14.24	10.75
Total Debt/Tangible Net Worth	Times	1.55	1.41	1.72
PBDIT/Interest	Times	2.46	2.30	2.02
Total Debt/PBDIT	Times	3.20	2.55	2.60
Gross Current Assets (Days)	Days	81	66	63

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>
- Service Entities - <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)

Date	Name of Instruments/Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
15-March, 2017	Cash Credit	Long Term	9.50	SMERA BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	2.50	SMERA BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	SMERA A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB-/Stable (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3 (Re-affirmed)

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ABOUT SMERA

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