

Press Release

SEVENSEAS GLOBAL EXPRESS LOGISTICS PRIVATE LIMITED

June 28, 2019

Rating Reaffirmed



| | |
|------------------------------|----------------------|
| Total Bank Facilities Rated* | Rs. 12.50 Cr. |
| Long Term Rating | ACUITE BBB- / Stable |
| Short Term Rating | ACUITE A3 |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 12.50 crore bank facilities of SEVENSEAS GLOBAL EXPRESS LOGISTICS PRIVATE LIMITED (SGPL). The outlook is '**Stable**'.

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

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

The directors, Mr. Biju Thomas, Mrs Sherly Biju and Mr. Tossy Joseph have more than 18 years of experience in global freight forwarding services. The long standing experience of the promoter has helped the company to build a healthy relationship with customers and suppliers.

- **Improvement in operating income**

During FY2019 (provisional), SGPL has achieved revenues of ~ Rs. 175 crore as compared to revenues of Rs. 133.40 crore in FY2018, thereby registering a y-o-y growth of 31 per cent. The growth in top line is on account of increase in sales in the global freight forwarding business from both new and existing customers. Also, diversifying into different geographies and sectors have added to the overall improvement in revenue.

- **Comfortable financial risk profile**

The company's financial risk profile is comfortable marked by modest net worth, comfortable gearing and healthy debt coverage metrics. The net worth of the company stood at Rs. 9.62 crore as on 31 March, 2019 (Provisional) as against Rs. 8.58 crore in the previous year. The gearing improved and stood comfortable at 1.24 times as on 31 March, 2019 (Provisional) from 1.53 times in the previous year. Total debt of Rs.11.92 crore as on 31 March, 2019 (Provisional) consist of Rs. 2.03 crore of long term borrowings and Rs. 9.89 crore of working capital borrowings. Further, the debt protection metrics is comfortable marked by debt service coverage ratio (DSCR) of 2.02 times as on March 31, 2019 (Provisional) and interest coverage ratio of 2.13 times as on March 31, 2019 (Provisional).

- **Efficient working capital cycle**

The company has comfortable working capital cycle marked by gross current asset (GCA) of 65 days in FY 2019 (Provisional) as against 84 days in FY 2018 mainly on account of improvement in receivable days to 61 in FY 2019 (Provisional) from 71 days in FY 2018. Being in the service sector, the company does not hold any inventory. The company on an average utilizes ~ 90-95 per cent of its fund based limit.

Weaknesses

• Decline in operating profitability

The operating margins have shown a declining trend from 3.13 per cent in FY2017 to 2.07 per cent in FY2018. Further, EBITDA margin fell to 2.02 per cent in FY2019 (Provisional) on account of higher service cost arising from global freight forwarding business. Further, on account of stiff competition from other domestic and global players, SGPL continues to face the pricing pressure leading to dip in probability.

• Presence in highly fragmented and competitive freight forwarding industry

The company operates in a highly fragmented industry with stiff competition from organised and unorganised players in domestic and international market, which limits the company's flexibility to pass on the increase in cost to the customers.

Liquidity Profile

The company has adequate liquidity position marked by net cash accruals of Rs.1.80 crore in FY2019 (Provisional) against long term debt obligations of Rs.0.40 crore over the same period. The company has a prudent working capital cycle marked by gross current asset (GCA) days of 65 in FY 2019 and the cash credit limit of the company remain utilized at 90 percent during the last twelve months ended May, 2019. The current ratio of SGPL stood at 1.23 times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term backed by healthy net cash accruals.

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook 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 improvement in liquidity profile. 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 | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 175.15 | 133.40 | 108.02 |
| EBITDA | Rs. Cr. | 3.54 | 2.76 | 3.42 |
| PAT | Rs. Cr. | 0.78 | 0.18 | 0.77 |
| EBITDA Margin | (%) | 2.02 | 2.07 | 3.16 |
| PAT Margin | (%) | 0.45 | 0.14 | 0.72 |
| ROCE | (%) | 12.93 | 8.96 | 13.38 |
| Total Debt/Tangible Net Worth | Times | 1.24 | 1.53 | 1.55 |
| PBDIT/Interest | Times | 2.13 | 1.84 | 2.46 |
| Total Debt/PBDIT | Times | 3.16 | 4.50 | 3.72 |
| Gross Current Assets (Days) | Days | 65 | 84 | 81 |

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 |
|-------------|---------------------------------|------------|------------------|----------------------------------|
| 20-Apr-2018 | Cash Credit | Long Term | 12.00 | ACUITE BBB-/ Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A3 (Reaffirmed) |
| 15-Mar-2017 | Cash Credit | Long Term | 9.50 | ACUITE BBB- / Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 2.50 | ACUITE BBB- / Stable (Assigned) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A3 (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 | 12.00 | ACUITE BBB- / Stable (Reaffirmed) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE A3 (Reaffirmed) |

Contacts

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|---|---|
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About Acuité Ratings & Research:

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