

## Press Release

### Sevenseas Global Express Logistics Private Limited

June 25, 2020

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

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

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SGPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Long track record and experienced management**

The company has a long track record of over two decades in the global freight forwarding industry. The company is managed by Mr. Biju Thomas, Mrs Sherly Biju and Mr. Tossy Joseph who are actively involved in the day to day operations of the company. Acuité believes that the long standing experience of the promoters has helped the company to build healthy relationship with reputed customers and service providers. Some of the major customers include Akzo Nobel India Limited, Tata Power Solar Systems Limited and Aditya Infotech Limited with whom the company has established relationship of around 10 years.

- **Modest scale of operations**

The company has achieved revenues of ~ Rs 195.78 crore in FY 2020 (Provisional) as compared to revenues of Rs. 175.04 crore in FY19, thereby registering a growth of 12 per cent y-o-y. The growth in top line is on account of increase in the global freight forwarding business by adding new customers like OTIS Elevator Company Limited. Also, diversifying into different geographies and sectors has also added to the improvement.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by modest net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company stood at Rs. 11.25 crore as on 31st March, 2020 (Provisional) as against Rs. 9.51 crore as on 31st March, 2019. The increase in net worth is mainly due to accretion of profit to reserves. The gearing (debt-equity) stood comfortable at 1.01 times in FY2020 (Provisional) as against 1.27 times in FY2019. The total debt of Rs. 11.38 crore as on March 31st, 2020 (Provisional) consists of short

term borrowings of Rs. 10.37 crore and long term debt of Rs. 1.01 crore. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.86 times and 2.47 times in FY2020 respectively. The NCA/TD stood at 0.22 times in FY2020 (Provisional). Acuite believes that the financial risk profile of the company is expected to remain comfortable in the medium term backed by steady cash accruals.

## Weaknesses

### • Low operating profitability

The operating margins stood low at 2.37 per cent in FY2020 (Provisional), though it improved from 1.91 per cent in FY19 mainly driven by improvement in revenues arising from Global freight forwarding business compared to last year. However, margins are expected to get impacted in FY21 if the company witnesses lower volumes. Thus, Acuite believes that the ability of the company to sustain its operating margins will remain a key rating sensitivity.

### • 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. Thus, on account of stiff competition from other domestic and global players, SGPL continues to face the pricing pressure leading to dip in probability.

## Rating Sensitivity

- Growth in scale of operations while maintaining operating profitability
- Sustenance of existing financial risk profile with healthy capital structure

## Material Covenants

None

## Liquidity:

The company's liquidity is adequate marked by modest net cash accruals of Rs. 2.47 crores in FY2020 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 77 in FY 2020 and the cash credit limit of the company remain utilized at 84.14 percent during the last twelve months ended March, 2020. The current ratio of the company stood at 1.28 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term in the absence of any debt funded capex.

## Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of vast experience of the promoters in the freight forwarding business and established relationship with customers. 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	195.78	175.04
PAT	Rs. Cr.	1.66	0.85

PAT Margin	(%)	0.85	0.48
Total Debt/Tangible Net Worth	Times	1.01	1.27
PBDIT/Interest	Times	2.86	2.07

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

CRISIL, vide its press release dated June 03, 2020 had denoted the rating of Sevensseas Global Express Logistics Private Limited as 'Migrated from CRISIL B+/Stable ISSUER NOT COOPERATING'

#### Any other information

None

#### 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 Services Sector -<https://www.acuite.in/view-rating-criteria-50.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-June-2019	Cash Credit	Long Term	12.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	0.50	ACUITE A3
20-Apr-2018	Cash Credit	Long Term	12.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	0.50	ACUITE A3
15-Mar-2017	Cash Credit	Long Term	9.50	ACUITE BBB- / Stable
	Proposed Cash Credit	Long Term	2.50	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	0.50	ACUITE A3

**\*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
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3

**sContacts**

Analytical	Rating Desk
<p>Pooja Ghosh Head-Corporate and Infrastructure Sector Ratings Tel: 033-66201203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Priyanka Rathi Analyst - Rating Operations Tel: 033-66201212 <a href="mailto:priyanka.rathi@acuite.in">priyanka.rathi@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**About Acuité Ratings & Research:**

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