

Press Release

Sevenseas Global Express Logistics Private Limited

September 22, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.50 Cr. (Enhanced from Rs.12.50 Cr.)
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.15.50 crore bank facilities of Sevenseas Global Express Logistics Private Limited. The outlook is '**Stable**'.

The rating continues to reflect the extensive experience of the management in the freight forwarding business. The rating also reflects healthy scale of operation and comfortable financial risk profile of the company. However, these strengths are partially offset by moderate profitability margin of the company during the period.

About the company

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, Mrs. Sherly Biju and Mr. Tossy Joseph. The company has 18 offices spread across India.

Analytical Approach:

Acuite has considered the standalone business and financial risk profile of SGELPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

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. Acuite believes that the long standing experience of the promoters has helped the company to build healthy relationship with reputed customers and service providers.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.16.76 crore in FY 2021 (Prov.) as compared to Rs 11.36 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood comfortable at 0.83 times as on March 31, 2021 (Prov.) when compared to 1.02 times as on March 31, 2020. Interest coverage ratio (ICR) is strong and stood at 6.48 times in FY2021 (Prov.) as against 2.90 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood healthy at 5.40 times in FY2021 (Prov.) as compared to 2.52 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.45 times in FY2021 (Prov.) as compared to 0.22 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Healthy scale of operation

The revenue of the company stood healthy at Rs.253.40 crore in FY2021 (Prov.) as compared to Rs.195.26 crore in the previous year. This improvement in revenue is on account of increase in freight charges during the period. The company has earned Rs.120.00 crore till end of Aug 2021 (Prov.).

Weaknesses

Moderate profitability margin

The operating profitability margin of the company has improved at 3.60 per cent in FY2021 (Prov.) as against of 2.49 per cent in the previous year. This improvement in profitability margin is on account of increase in freight rate during the period. The net profitability margin of the company has also improved to 2.13 per cent in FY2021 (Prov.) as compared to 0.91 per cent in the previous year. Going forward, Acuite believes the profitability margin of the company will increase and sustained at the moderate level over the medium term.

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

- Scaling up of operation while improving their profitability margin
- Sustenance of existing financial risk profile

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.6.18 crore as against Rs.2.58 crore in the previous year. The cash accruals of the company are estimated to remain in the range of around Rs. 7.01 crore to Rs. 9.32 crore during 2022-24 as against Rs.1.28 crore in FY2022 and in FY2023 of long term debt obligations. The current ratio of the company stood comfortable at 1.53 times in FY2021 (Prov.). The working capital management of the company is marked by comfortable Gross Current Asset (GCA) days of 80 days in FY2021 (Prov.). The bank limit of the company has been ~82 per cent utilized during the last six months ended in July 2021. The group has availed COVID emergency fund of Rs.3.14 crore. The said loan is to be repaid over a period of 4 years including, 1 year of moratorium. Acuite also believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

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 financial risk 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 (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	253.40	195.26
PAT	Rs. Cr.	5.40	1.77
PAT Margin	(%)	2.13	0.91
Total Debt/Tangible Net Worth	Times	0.83	1.02
PBDIT/Interest	Times	6.48	2.90

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
25-June-2020	Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
28-June-2019	Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
20-Apr-2018	Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Reaffirmed)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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