

Press Release

Sevenseas Global Express Logistics Private Limited

January 05, 2023



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.87	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	17.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	0.50	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	21.37	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) from **ACUITE BBB-** (Read as **ACUITE triple B minus**) and **ACUITE A3** (Read as **ACUITE A three**) respectively, to the Rs.17.50 crore bank facilities, and also assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the 3.87Cr bank facilities of Sevenseas Global Express Logistics Private Limited. The outlook is '**Stable**'.

Rationale for the rating

The rating upgrade is driven by a considerable improvement in the business risk profile of the company marked by a substantial increase in revenues of the company in FY'22 and the turnover growth momentum has been maintained in the current fiscal too. The profitability margins have also witnessed an improvement in FY'22 and in the current fiscal. The increase in the topline and bottom-line levels have translated into much better cash accruals for the company and in turn improved debt protection metrics. The capital structure continues at very conservative levels.

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 SGPL 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. Some of the major customers include Akzo Nobel India Limited, and Aditya Infotech Limited with whom the company has established relationship of around 10 years.

Healthy scale of operation coupled with improving profitability margin

The revenue of the company has significantly improved to Rs.412.83 crore in FY2022 as compared to Rs.252.93 crore in the previous year. This improvement in revenue is on account of significant increase in freight charges during the period. Currently, the company has earned Rs.290.11 crore till end of Nov 2022 (Prov.).

The operating profitability margin of the company has improved to 5.46 per cent in FY2022 as against 3.35 per cent in the previous year. This improvement in profitability margin is on account of increase in freight rate during the period. The profitability margin of the company has further improved to 6.64 per cent in 8MFY2023 (Prov.). Going forward, Acuite believes the profitability margin of the company will be sustained at the same level over the medium term.

The net profitability margin of the company has also improved to 3.61 per cent in FY2022 as compared to 2.02 per cent in the previous year. Going forward, Acuite believes the profitability margin of the company will be sustained at a moderate level over the medium term.

Healthy financial risk profile

The financial risk profile of the company is marked by modest net worth, low gearing and strong debt protection metrics. The net worth of the company stood modest at Rs.31.37 crore in FY 2022 as compared to Rs 16.47 crore in FY2020. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood low at 0.60 times as on March 31, 2022 when compared to 0.87 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and stood at 12.72 times in FY2022 as against 6.16 times in FY 2021. The debt service coverage ratio (DSCR) of the company also stood strong at 4.55 times in FY2022 as compared to 4.97 times in the previous year. The net cash accruals to total debt (NCA/TD) stood strong at 0.84 times in FY2022 as compared to 0.40 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

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 Sensitivities

- Scaling up of operation while maintaining their profitability margin

•

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity position marked by comfortable net cash accruals of Rs.15.75 crore as against Rs.2.08 term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 16.21 crore to Rs. 18.11 crore during 2023-24 as against of Rs.0.88 crore long term debt obligations during FY2023 and in FY2024 respectively. The current ratio of the company stood comfortable at 1.67 times in FY2022. The Gross Current Asset (GCA) days of the company stood comfortable at 64 days in FY2022. The bank limit of the company has been ~85 percent utilized during the last six months ended in November 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	412.83	252.93
PAT	Rs. Cr.	14.90	5.11
PAT Margin	(%)	3.61	2.02
Total Debt/Tangible Net Worth	Times	0.60	0.87
PBDIT/Interest	Times	12.72	6.16

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of

the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Feb 2022	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
22 Sep 2021	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
25 Jun 2020	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
28 Jun 2019	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3+ Upgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB Stable Upgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.46	ACUITE BBB Stable Assigned
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.91	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.