

Press Release

Sitaram Energy And Logistics Limited

July 05, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 13.00 crore bank facilities of Sitaram Energy And Logistics Limited. The outlook is '**Stable**'.

The Kolkata-based Sitaram Energy and Logistics Limited (Sitaram Energy) was established in 1978 as a partnership firm by two brothers, Mr. Kamal Kishore Mall and Mr. Sitaram Mall and converted to a limited company in 2007. The day-to-day operations are led by Mr. Manish Mall, son of Mr. Kamal Kishore Mall. The company provides transportation services, undertakes material handling, equipment hiring among others.

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Kamal Kishore Mall and Mr. Sitaram Mall and sons, Mr. Manish Mall and Mr. Sidharth Mall possess extensive experience in the logistics industry. The extensive experience has helped establish comfortable relations with customers and suppliers.

• Reputed clientele

The reputed client list includes Oil and Natural Gas Corporation (ONGC), Reliance Industries Ltd (RIL), Polish Oil and Gas Exploration Co (POLAND), Hindalco Industries among others.

• Average financial risk profile

The average financial risk profile is marked by high gearing of 6.45 times, high interest coverage of 3.29 times, Net Cash Accruals to Total Debt (NCA/TD) of 0.28 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 0.92 times in FY2016 with networth of Rs 6.23 crore. For FY2017 (Provisional) the gearing stands at 2.25 times and the interest coverage at 3.83 times. The net worth stood at Rs 12.94 crore in FY2017 (Provisional). SMERA has treated the Rs 3 crore of unsecured loan from promoters as quasi equity based on confirmation that the same amount would be retained in the business over the medium term.

Weaknesses

• Moderate scale of operations

The scale of operations of the company stood at moderate levels with revenue at around Rs 57.57 crore in FY2017 (Provisional) compared to Rs 57.48 crore in FY2016. While transportation contributes around 18 per cent to revenue, the share of road transport, warehousing and material handling stands at 25 per cent with the balance coming from equipment hiring and work over rig.

• Working capital intensive operations

The operations are working capital intensive marked by high gross current asset (GCA) days of 110 in FY2016 compared to 115 in FY2015 owing to high debtor days of 71 and 67 in FY2016 and FY2015. However, the GCA improved to 90 days in FY2017 (Provisional) due to improved debtor days of 71.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the outlook on the company's rated facilities will remain stable over the medium term backed by its experienced management and reputed clientele. The outlook may be revised to 'Positive' in case of more than envisaged sales and profitability while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue and profitability, if the working capital cycle gets stretched or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

The company reported net losses of Rs 0.05 crore as against operating income of Rs 57.48 crore in FY2015-16 compared to net losses of Rs 2.65 crore against operating income of Rs 69.48 crore in FY2014-15.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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)

Not Applicable

***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	5.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4+

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