

Press Release

Meghdipa Logistics Private Limited

July 20, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.30 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 15.30 crore bank facilities of Meghdipa Logistics Private Limited. The outlook is '**Stable**'.

The West Bengal-based Meghdipa Logistics Private Limited (MLPL) was established in 2004 by Mr Meghnath Poddar, Mrs Sudipta Poddar and Mr Amitava Chatterjee. The company is engaged in the business of transportation and warehousing.

Key Rating Drivers

Strengths

- **Experienced management:**

The promoters of the company Mr Meghnath Poddar, Mrs Sudipta Poddar and Mr Amitava Chatterjee have more than a decade of experience in the logistic industry.

- **Average financial risk profile:**

The average financial risk profile is marked by gearing of 0.23 times, high interest coverage of 5.88 times, Net Cash Accruals to Total Debt of 0.62 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 4.93 times in FY2016. The networth stood at Rs 3.24 crore in FY2016. For FY2017 (Provisional), the gearing stood at 1.73 times and the interest coverage at 7.69 times.

Weaknesses

- **Modest scale of operations**

The revenue stood at Rs 17.58 crore in FY2017 (Provisional) compared to Rs 12.35 crore in FY2016. The scale of operations is modest. The company plans to undertake capex to buy 50 fleets and 3 Barges at a total cost of Rs 22 crore to be funded by term loan of Rs 14 crore and the balance from unsecured loans of promoters.

- **Working capital intensive operations**

The working capital operations are marked by high gross current asset days of 125 in FY2016 compared to 122 in FY2015. This is because of high debtor days of 107 in FY2016 and in FY2015. However, the GCA improved to 114 days in FY2017 (Provisional) due to improved debtor days at 87.

- **Susceptibility of margins to fluctuations in fuel prices**

The profit margins are exposed to fluctuations in the prices of fuel since the company is in the logistics business.

Analytical Approach

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

Outlook: Stable

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

About the Rated Entity - Key Financials

The company reported Profit after tax (PAT) of Rs 0.29 crore on operating income of Rs 12.35 crore in FY2015-16. In FY2014-15, the company reported reported PAT of Rs 0.81 crore on operating income of Rs 10.12 crore.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	0.70	SMERA B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B / Stable
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA B / Stable

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