

Press Release

RNP Marketing and Cargo Private Limited (RNP)

19 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	SMERA BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) on the Rs. 70.00 crore bank facilities of RNP Marketing and Cargo Private Limited (RNP). The outlook is '**Stable**'.

RNP, a Mumbai-based company was incorporated in 2008 to take over the existing business of Gujarat Cargo Carriers (established in 2003). The company is led by Mr. Piyush Joshi and Mr. Ramesh Gami and trades in various products (including foodgrains, electronic products, IT Products) and renders logistics services. Trading contributes 80 per cent while logistics ~ 20 per cent to sales.

The company also offers specialised logistics services across multimodal transport operations, container freight station operations and project & engineering solutions. RNP has offices at Mundra, Surat, Vapi, Kalamboli among others in India.

Key rating drivers

Strengths

Experienced management: Mr. Ramesh Gami and Mr. Piyush Joshi have experience of over two decades in the transportation industry. Prior to starting RNP, they were actively involved in their proprietary business (transportation). The extensive experience of the promoters has helped the company establish long term relations with customers as also start the trading business.

SMERA believes that the extensive experience of the management is likely to benefit the company in the medium term.

Moderate financial risk profile: The networth stood moderate at Rs.32.24 crore as on 31 March, 2017 which increased from Rs.15.21 crore in the previous year on account of infusion of funds from promoters (~Rs.15.00 crore) and retention of profits. The gearing stood moderate at 1.28 times as on 31 March, 2017 which improved from 2.66 times in the previous year. The total debt of Rs.41.17 crore includes long term debt of Rs.5.02 crore and short term borrowings of Rs.36.15 crore. The Total Outside Liabilities to Tangible Networth (TOL/TNW) stood at 1.57 times in FY2017. The company manages its logistics business with its own fleet of vehicles and also hires as per requirement. However, the company is in negotiation with

customers for contractual services which will mean fleet expansion resulting in debt funded capex. SMERA believes that the extent of debt funded capex will remain a key rating sensitivity.

Further, the company also has plans to avail working capital limits from the bank which is likely to keep the gearing at moderately high levels in the medium term. The interest coverage ratio stood moderate at 1.75 times in FY2017.

Weaknesses

Working capital intensive operations: The company has high Gross Current Asset (GCA) days of 129 in FY2017 as against 116 in FY2016. The GCA days are high mainly on account of high debtor days of 116 in FY2017 (112 days in FY2016). The company has nil inventories as the sales are backed by orders. However, the company has commenced processing of food grains which is likely to increase the working capital intensity in the medium term. The average cash credit utilisation stood at ~98 per cent during April to November, 2017.

SMERA believes that efficient working capital management will be crucial to the company in maintaining a stable credit profile.

Highly competitive and fragmented logistics and trading industry: The company is exposed to intense competition in a highly fragmented logistics and trading industry, thus restricting its bargaining power and pricing flexibility.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	206.88	172.71	135.71
EBITDA	Rs. Cr.	10.93	8.00	6.69
PAT	Rs. Cr.	2.20	1.27	1.01
EBITDA Margin	(%)	5.28	4.63	4.93
PAT Margin	(%)	1.07	0.73	0.74
ROCE	(%)	14.28	12.63	22.93
Total Debt/Tangible Net Worth	Times	1.28	2.66	2.17
PBDIT/Interest	Times	1.76	1.74	1.82
Total Debt/PBDIT	Times	3.77	5.06	4.54
Gross Current Assets (Days)	Days	129	116	121

Any other information: Not Applicable

Outlook – Stable

SMERA believes that RNP will maintain a Stable outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company improves its scale of operations and working capital management leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected revenue, profitability or deterioration in the working capital management. Any larger than expected debt funded capex undertaken by the company resulting in weakening of the financial risk profile may entail a Negative outlook.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

Status of non-cooperation with previous CRA (if applicable): CRISIL, vide release dated January 10, 2018 has declared RNP non-cooperative on account of lack of adequate information required for monitoring of ratings.

Rating History (Upto last three years): Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Date of Issuance	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	31.00	SMERA BBB-/Stable
Cash Credit (Proposed)*	NA	NA	NA	39.00	SMERA BBB-/Stable

* Proposed sublimit LC -Rs. 35.00 crore.

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ABOUT SMERA

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