

Press Release

Sharda Roadlines

July 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.30 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.30 crore bank facilities of Sharda Roadlines. The outlook is 'Stable'.

Sharda Roadlines (SR) is a Bhopal (Madhya Pradesh) based proprietorship firm established in 1988. It is engaged in providing transportation services to Food Corporation of India and MP State Civil Supply Corporation. The firm is promoted by Mr. Kamlesh Mittal who has more than three decade of experience in the industry.

Key Rating Drivers

Strengths

- **Experienced Proprietor and long track record of operations**

Mr. Kamlesh Mittal along with his son, Mr. Sanjay Mittal has more than three decades of experience in the same line of business. Mr. Sanjay Mittal is currently handling all the operations of the firm.

Weaknesses

- **Average financial risk profile**

SR has below average financial risk profile marked by tangible net worth of Rs.1.59 crore as on 31 March, 2017 as against Rs.1.36 crore as on 31 March, 2016. The gearing stood at 1.03 times as on 31 March 2017 as against 1.10 times as on 31 March 2016. The Interest Coverage Ratio (ICR) stood at 2.87 times for FY2017 as against 3.45 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.64 times as on 31 March, 2017 as against 2.69 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.31 times as on 31 March, 2017 as against 0.33 times as on 31 March, 2016.

- **Customer concentration risk**

SR derives 100.00 percent of its revenue from two clients that is Food Corporation of India and MP State Civil Supply Corporation exposing it towards customer concentration risk.

- **Uneven revenue trend**

The firm registered operating income of Rs.10.76 crore in FY2017 as against Rs.12.59 crore in FY2016 and Rs.11.38 crore in FY2015. Further during April 2017 to October 2017, the firm booked revenue of Rs.6.00 crore. Acuite expects revenue growth to be moderate in the near to medium term backed by additional revenues from the solar plant project.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SR to arrive at the rating.

Outlook: Stable

Acuite believes that the SR will maintain a 'Stable' business profile in the medium term. The outlook may be revised to 'Positive' if the firm registers strong growth in revenue and profit margins and maintains comfortable financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in the revenues and profit margins or in case of deterioration in the firm's capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.44	8.95	12.05
EBITDA	Rs. Cr.	0.63	0.54	0.61
PAT	Rs. Cr.	0.48	0.45	0.60
EBITDA Margin	(%)	6.02	5.98	5.09
PAT Margin	(%)	4.62	5.05	4.98
ROCE	(%)	24.92	26.21	61.55
Total Debt/Tangible Net Worth	Times	1.03	1.10	0.77
PBDIT/Interest	Times	2.87	3.46	13.07
Total Debt/PBDIT	Times	2.08	2.17	1.38
Gross Current Assets (Days)	Days	74	54	38

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.30	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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