

## Press Release

### Srivalli Shipping and Transport Private Limited

December 31, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 86.95 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook:Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 86.95 crore bank facilities of SRIVALLI SHIPPING AND TRANSPORT PRIVATE LIMITED (STPL). The outlook is '**Stable**'.

Incorporated in 1994 as a partnership firm and later reconstituted as private limited in 2011 as Srivalli Shipping and Transport Pvt Ltd (STPL), the company provides various end-to-end logistic services like acting as custom house and clearing and forwarding agent, stevedoring, material handling, warehousing, transporting, and steamer agency, freight forwarding and dealing with all clearances of import and export consignments of various categories. STPL is promoted and managed by Mr. P Babu Rao. The Company has branches at Kakinada, Guntur, Krishnapatnam, Bangalore, Chennai, Hyderabad and Mumbai.

### Analytical Approach

Acuité has considered standalone business and financial risk profiles of STPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### • Extensive experience of the promoters in the logistics industry

STPL is promoted by Mr. P Babu Rao, who has been in the business of logistics and shipping service since 1980. The promoter's experience in logistic industry has helped the company build healthy relationship with the port trusts/various associations along with its reputed customers like Vedanta Limited, Rastriya Ispat Nigam Limited (RINL), Parry Sugars Refinery India Pvt Ltd, Hindalco Ltd, Jindal Saw Ltd among others to ensure a steady flow of services and large offtake. Acuité believes that promoter's extensive experience in shipping services would aid the business risk profile of the company over the medium term.

#### • Moderate scale of operations and EBITDA margins

The company has a presence in the said industry for over two decades. STPL's revenues stood at Rs.180.97 crores in FY2019 as against Rs.179.61 crore in the previous year. EBITDA margins have remained moderate at 16.05 per cent in FY2019 vis-à-vis 14.94 per cent in FY2018. STPL has generated revenue of Rs.104.00 crores and EBITDA margin of 14.00 per cent till November, 2019. Acuité believes that the revenue growth is expected to show positive traction and with EBITDA margins being range bound.

#### • Moderate financial risk profile

STPL's financial risk profile is moderate, marked by a moderate network, gearing and average debt protection metrics. The tangible net worth stood healthy at Rs.50.45 crore as on March 31, 2019. The net worth has grown gradually from Rs.33.50 crore as on March 31, 2017. The growth in net worth is fueled by healthy accretion to reserves. The company has followed conservative leverage policy, reflected through its peak gearing and Total outside Liabilities to Tangible net worth (TOL/TNW) level of 2.73 times and 3.41 times as on March 31, 2017. The leverage level continues to remain moderate with gearing of 1.45 times and TOL/TNW of 2.30 times as on March 31, 2019. The total debt of the group stood at Rs.73.09 crore as on March 31, 2019. The gearing is expected to be in the around 1.05 to 0.50

times over the medium term. STPL has moderate profitability margin in the range of 2.00-3.79 percent over the last three year ended FY2019. The moderate profitably levels vis-à-vis lower debt level has resulted in average debt protection metrics. The interest coverage ratio stood (ICR) and debt service coverage ratio (DSCR) stood at 2.92 and 1.10 times respectively for FY2019. Acuité expects the financial risk profile to remain moderate over the medium term on account of moderate accretion to reserves, absence of significantly debt funded capex and moderate profitability margins.

## Weaknesses

### • Working capital intensive operations

STPL's operations are working capital intensive with Gross Current Assets (GCA) of about 174 days for FY2019 as against 154 days for FY2018. This is marked by high debtor days of 118 days and inventory days of 53 days. Debtor days have increased from 104 days in FY2018 to about 118 days in FY2019, due to higher billing in Q4FY19. However, bank line utilization stood at about 82 per cent over the last eleven months ending November, 2019. Acuité believes that working capital cycle would remain at similar levels over the medium term.

### • Exposure to intense competition and Susceptibility of revenue to cyclical in the economy

The port operations business is vulnerable to economic cyclical in the economy, such as decrease in cargo handling, can substantially impact the revenues and profitability. With revenue of Rs.180.97 crore in FY2019, scale remains moderate in the highly fragmented logistics industry that is dominated by a few large players. Also, since commoditised services lead to limited differentiation, entry barriers are low and moderate players find it easy to enter the segment leading to pricing pressure.

### • Product and customer concentration in revenue profile

STPL deals in export and import of mostly Alumina powder, ingots and other steel products due to its selected clientele with whom it is dealing with for more than a decade. Alumina powder, steel products accounted for more than 70 per cent of its revenue in FY19 with top ten customer contributing 80 per cent to revenue. However, Top 3 customers contributed around 50 per cent to revenue in FY18 leading to moderate product and customer concentration in revenue profile which is a key rating sensitivity factor.

## Rating Sensitivities

- Any deterioration in working capital and liquidity
- Substantial growth in revenues while improving profitability margins

## Liquidity Position: Adequate

STPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The STPL generated cash accruals of Rs. 14.36 crores while its maturing debt obligations are Rs.11.56 crores in FY2019. The cash accruals of the STPL are estimated to remain around 18.75 -23.50 crore during 2020-22, while its repayment obligations are estimated to be around Rs.7.52-11.50 crores over the medium term. The STPL's operations are working capital intensive as marked by Gross Current Assets (GCA) of 174 days in FY 2019. The moderate reliance on working capital borrowings, lead to moderate utilization of its working capital limits at 82 percent during the last 11-month period ended November 2019. The current ratio of STPL is weak stood at 1.20 times as on March 31, 2019.

## Material Covenants:

**None**

## Outlook: Stable

Acuité believes that STPL will continue to benefit over the medium term from the extensive industry experience of its promoters. The outlook may be revised to 'Positive' in case of significant increase in scale of operations, while diversifying its revenue concentration and sustaining the profitability margins. The outlook may be revised to 'Negative' in case of deterioration in liquidity, driven by lower cash accrual, delay in receivables realization, or larger-than-expected debt-funded capital expenditure.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	180.97	179.61
PAT	Rs. Cr.	6.86	5.34
PAT Margin	(%)	3.79	2.97
Total Debt/Tangible Net Worth	Times	1.45	2.22
PBDIT/Interest	Times	2.92	2.36

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Oct-2018	Cash Credit	Long Term	30.00	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	21.95	ACUITE BBB- / Stable (Assigned)
	Proposed cash Credit	Long Term	10.00	ACUITE BBB- / (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A3 (Assigned)

### \*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	30.00	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	21.95	ACUITE BBB- / Stable (Reaffirmed)
Proposed cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 (Reaffirmed)

## Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuited.in">aditya.gupta@acuited.in</a></p> <p>P Krishi Keyan Analyst - Rating Operations Tel: 040-400042327 <a href="mailto:krishi.keyan@acuited.in">krishi.keyan@acuited.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuited.in">rating.desk@acuited.in</a></p>

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 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. Acuité ratings 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. Acuité ratings 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.acuited.in](http://www.acuited.in)) for the latest information on any instrument rated by Acuité.