

## Press Release

Satya Sai Transport

July 25, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) on the Rs.10.00 crore bank facilities of Satya Sai Transport. The outlook is '**Stable**.'

### Rationale for reaffirmation

The rating assigned takes into consideration the established market position of the company in the manpower service industry. The ratings also draws comfort from long and extensive experience of the promoters in the aforementioned industry the moderate financial risk profile and adequate liquidity position of the company. However, these strengths of the company are partially offset due to the client concentration risk and presence in a highly fragmented and competitive industry.

### About the Company

Vishakapatnam-based Satya Sai Transport (SST), is a proprietorship firm started by Mr. G. Uma Sai Prasad in 2005. The firm provides manpower, logistics, and transport services to corporate across the sectors such as retail, food and grocery, pharmaceutical and consumer goods, among others.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### Established track record of operations and experienced management

Mr. G. Uma Sai Prasad, proprietor of SST, has around 27 years of experience in the transport, warehousing and manpower supply services. The proprietor's vast experience has enabled the firm to expand the scope of the operations over the years. With total employee strength of around 6075 (75 own staff and 6000 on-payroll labours, who are deployed to clients'

locations), SST's operations are spread across 130 locations in 11 states. The firm also has its 8 offices one each at Hyderabad, Chennai, Bengaluru, Bhubaneswar, Kolkatta, Guhawati, Delhi and Cochin. Initially, the firm was majorly providing transportation and warehousing services. However, from 2009 onwards, the firm also started catering to manpower service requirement of corporate clients on a contractual basis. The manpower services segment accounted for over 85 per cent of SST's revenue in FY2020 and FY2019. The firm's established track record has helped build strong relationship with its clients comprising few reputed names like Reliance Group, Spencer Retail, More Retail (erstwhile Aditya Birla Retail), among other. The firm has a track record of ~80-90 per cent renewal rate for the contracts.

Acuité believes, going ahead, the firm's strong ability to renew its contract along with promoter's experience will continue to benefit the firm generate healthy revenues.

### **Moderate Financial Risk Profile**

Financial Risk profile of the firm stood moderate with below average tangible net worth, high gearing and comfortable debt protection metrics. Tangible networth of the firm stood at Rs.11.98 Cr as on 31st March, FY2022 (Prov) as against Rs.9.52 Cr as on 31st March, FY2021. Increase in networth is on account of accretion of profits. Gearing of the firm stood at 2.08 times as on 31st March 2022(Prov.) as against 2.41 times as on 31st March 2021. Total debt of the company stood at 24.89 Cr as of 31st March, 2022 as against 22.94 Cr as on 31st March 2021. Total Debt comprises of Rs.7.11 Cr of Long term debt, Rs.17.75 Cr of Short term debt and Rs.0.03 Cr of unsecured loans. TOL/TNW stood at 2.71 times as on 31st March 2022 as against 4.90 times as on 31st March, 2021. NCA to Total debt stood at 0.13 times. Debt protection metrics remains comfortable with DSCR at 1.38 times in FY2022(Prov.) as against 2.45 times in FY2021. Interest coverage ratio stood at 2.13 times in FY2022(Prov.) as against 2.45 times in FY2021.

Acuité believes that the financial risk profile will moderate in the near to medium term in absence of major debt funded capex and steady improvement in profitability.

### **Weaknesses**

#### **Intensive working capital operations**

Working Capital operations of the firm remain intensive marked by GCA days at 107 days in FY2022(Prov.) as against 133 days in FY2021. GCA days are driven by high debtor days and other current assets. SST books its revenues once it receives work orders from its clients. For Reliance Jio the firm provides its manpower services and usually receives work order after the services are provided. Hence, the services provided by the SST for which bills are due to be raised are reflected in other current assets. Such bills pending to be raised amount to Rs.9.80 Cr in FY2022 as against Rs.10.60 Cr in FY2021. SST bills its clients monthly based on attendance of its employees at the sight. Such attendance of the employees and the bills raised get approved by its clients subsequent to which payments are received. Debtor collection period stood at 50 days in FY2022 as against 83 days in FY2021. SST sub-contracts some of the employee requirement of its clients to other manpower service providers. Such sub-contractors usually extend a credit period of 30 days. In FY2021 there were delays in approval of bills raised by on of the sub-contractors. Hence, such payment was kept on hold. Accordingly, there were delays in receiving payments from such debtors. The creditor days stood at 21 days in FY2022 as against 212 days in FY2021.

Acuité believes that the ability of the company to efficiently manage its working capital requirements will remain key rating sensitivity.

#### **High client concentration**

SST caters to reputed clientele comprising players like Reliance Group, More Retail (erstwhile Aditya Birla Retail), Spencers Retail, among others. However, Reliance and More Retail accounted for over 90per cent of SST's total.

Acuite believes client concentration risk would continue to remain on a higher side over a medium term. Thus, lower-than-expected work orders from the top few clients would have sharp impact on the overall operating performance of the firm.

### High competitive intensity

SST operates in a highly fragmented and competitive industry. Presence of large number of organized and unorganized players restricts pricing power of players like SST. The industry is marked by presence of large number of organized and unorganized players because of low entry barriers and moderate capital requirements

### Rating Sensitivities

Lower work orders would impact the overall operating performance  
Elongation in working capital cycle

### Material covenants

None

### Liquidity: Adequate

Liquidity of the firm remained comfortable with sufficient net cash accruals against maturing debt obligations. Net cash accruals of the company stood at Rs.3.33 times as against maturing debt obligations of Rs.1.60 times in FY2022(Prov.) The firm is expected to generate sufficient net cash accruals of Rs.5.41-6.67 Cr against maturing debt obligations in the range of Rs.2.30-2.50 Cr. Average bank limit utilization remained high at 91.03% for 7 months ended June 2022.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals and the matured debt repayments over the medium term.

### Outlook: Stable

Acuite believes that SST will maintain 'Stable' outlook with healthy order book led by strong rapport with reputed clients, and experienced management. The outlook may be revised to 'Positive' in case the firm reports higher-than-expected growth in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's operating performance, thereby deteriorating financial risk profile and liquidity of the firm.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	103.66	116.44
PAT	Rs. Cr.	3.08	2.69
PAT Margin	(%)	2.97	2.31
Total Debt/Tangible Net Worth	Times	2.08	2.41
PBDIT/Interest	Times	2.13	2.45

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Apr 2021	Cash Credit	Long Term	10.00	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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