

Press Release
SATYA SAI TRANSPORT
January 17, 2025
Rating Reaffirmed



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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed the 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 revised from **'Stable'** to **'Negative.'**

Rationale for Rating

The revision in the outlook takes into account, the stagnant operational performance of the firm along with declining profitability margins and deteriorating financial risk profile over the years. However, the rating reaffirmation factors in the long track record of the experienced management leading to onboarding of new customers which is expected to improve the revenues over the medium term. The rating is however, constrained due to the below average financial risk profile, intensive working capital operations, customer concentration risk of the firm and highly competitive and fragmented industry.

The ability of the firm to improve its scale of operations and profitability margins will be key rating sensitivity.

About the Company

Satya Sai Transport (SST) is a Vishakapatnam-based firm is engaged in providing manpower, logistics, and transport services to corporates across retail, food and grocery, pharmaceutical and consumer goods sectors. Manpower services is the key segment, accounting for over 85% of the firm's revenue since past three years. The firm was incorporated in 2005 by Mr. G. Uma Sai Prasad.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Mr. G. Uma Sai Prasad, proprietor of SST, has nearly three decades of experience in the transport, warehousing and manpower supply services. The proprietor's vast experience has enabled the firm to expand the scope of operations over the years. SST's operations are spread across 130 locations in 11 states with total employee strength of around 7,000. The firm has 8 offices situated across Hyderabad, Chennai, Bengaluru, Bhubaneshwar, Kolkata, Guwahati, 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 firm's established track record has helped to build strong relationship with its clients comprising of reputed names like Reliance Group, Spencer Retail, More Retail (erstwhile Aditya Birla Retail), amongst others. Acuite believes that going ahead SST's ability to build customer relations along with proprietors' vast experience will benefit the firm to generate healthy revenues.

Weaknesses

Stagnant revenue growth and declining profitability margins

The revenue growth of the firm has been stagnant over the past years, with the firm generating a revenue of Rs. 112.25 Cr. in FY24 as against Rs. 109.60 Cr. in FY23 and Rs. 103.74 Cr. in FY22. A declining trend has also been observed in the profitability margins of the firm wherein the EBITDA margin stood declined at 4.29 percent in FY24 from 4.43 percent in FY23 and 4.99 percent in FY23. This is mainly on account of increase in the employee cost.

Acuite believes that the onboarding of new customers is crucial for revenue growth and improved profitability for the firm.

Below average financial risk profile

The financial risk profile of SST remains below average marked by average networth, high gearing and below average debt protection metrics. The networth declined to Rs. 9.12 Cr on March 31, 2024 as against Rs. 10.00 Cr on March 31, 2023 on account of withdrawal of funds by the proprietor which was deployed in group companies. This led to deterioration in the gearing, which stood at 3.44 times on March 31, 2024 as against 3.30 times in the previous year, despite marginal decline in the overall debt levels. The TOL/TNW also stood declined at 5.29 times on March 31, 2024 as against 4.31 times on March 31, 2023. The Debt-EBITDA continues to remain high at 6.22 times on March 31, 2024 as against 6.57 times on March 31, 2023.

The ability of the firm to prevent further deterioration in the financial risk profile will be a key rating sensitivity

Working Capital Intensive Operations

The operations of the firm are working capital intensive as evident from GCA of 125 days in FY24 as against 120 days in FY23. These are mainly only account of higher inventory days, which stood at 78 in FY24 as against 50 days in FY23. The debtor days stood at 39 days in FY24 as against 60 days in FY23. The company usually has a payment cycle of 45-60 days with its customers. Delay in payments from the customer's side, makes the firm highly reliant on working capital limits to manage their day to day operations.

Customer concentration risk

SST caters to reputed clientele comprising players like Reliance Group, Mobis India, More Retail (erstwhile Aditya Birla Retail), Spencers Retail, amongst others. However, Reliance Group and Mobis India accounted for over 80 percent of SST's total revenue.

Acuite believes that the ability of SST to expand its customer base in order to mitigate the revenue concentration risk will remain a key rating sensitivity factor.

Highly competitive and fragmented industry

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

Rating Sensitivities

- Improvement in scale of operations and profitability margins
- Prevention of further deterioration in the financial risk profile
- Maintaining efficient working capital cycle
- Expansion of clientele base, to mitigate customer concentration risk

Liquidity Position

Adequate

The liquidity position of SST is adequate as evident from generation of sufficient NCAs of Rs. 1.81 Cr. in FY024 against repayment obligations of Rs. 1.53 Cr. in the same year. Since the operations of the firm are working capital intensive, the firm highly relies on the bank limits to fulfill their working capital requirements. The average bank limit utilization stood at 99.92 percent for six months ended September 2024. The current ratio stood at 1.15 times on March 31, 2024 and the firm has an unencumbered cash and bank balance of Rs. 0.82 Cr. on March

31, 2024.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	112.25	109.60
PAT	Rs. Cr.	1.59	1.93
PAT Margin	(%)	1.42	1.76
Total Debt/Tangible Net Worth	Times	3.44	3.30
PBDIT/Interest	Times	1.56	1.75

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2023	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
25 Jul 2022	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+ Negative Reaffirmed Stable to Negative

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Kruti Patel Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.