



Infomerics Valuation And Rating Pvt. Ltd.

Sindhu Cargo Services Private Limited

December 11, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1	Bank Facilities- Long Term	45.95	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Bank Facilities- Short Term	2.00	IVR A4 (IVR A four)
	Total	47.95	

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Sindhu Cargo Services Private Limited (SCSPL) derives comfort from its experienced promoters with long track record of operations, diversified market presence and multiple revenue segments, comfortable capital structure and favourable demand outlook. The rating strengths are partially offset by its thin profitability, weak debt protection metrics and working capital intensive nature of operations.

Key Rating Sensitivities

Upward Factors

Sharp increase in total income with improvement in margins on a sustained basis
Improvement in liquidity position with improvement in cash accruals on a sustained basis.
Improvement in debt protection parameters

Downward Factors

Any further deterioration of profitability
Increase in Total indebtedness

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operations



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Mr. Gopalappa Balaraju has vast experience of over 38 years in the logistics sector. Further, the company has established a satisfactory track record in logistics operations with more than 25 years of its presence and has developed renowned client base across India.

Diversified market presence and multiple revenue segments

SCSPL has its presence at over 20 locations in all major ports, , Inland Container Depot (ICD)'s and airports across India. The company has a diversified revenue stream with revenue contribution from multiple segments positively supporting its business risk profile. Further, the company caters to diverse industries due to its integrated presence across sectors like customs clearance, transportation, freight forwarding and warehousing.

Comfortable capital structure

The capital structure of the company remained comfortable as on the past three account closing dates. The long-term debt equity ratio and overall gearing remained comfortable at 0.30x and 1.08x as on March 31, 2019 (0.30x and 1.08x in March 31, 2018). Moreover, total indebtedness as reflected by TOL/TNW also remained comfortable at 1.61x as on March 31, 2019.

Favourable demand outlook

Indian logistics sector is expected to grow at a rate 8-10 per cent over the medium term driven by high demand. Further, with implementation of GST in the sector, the organised players are expected to be benefitted further.

Key Weaknesses

Thin profitability

The profit margins of the company remained thin over the past years due to intense competition. The operating margin remained range-bound over the aforesaid period in the range of 3-4%. Further, with high depreciation and capital charges attributable to its capital intensive nature of operations, the PAT margin also remained thin over the past three fiscal and stood at 0.13% in FY19(Prov.).

Weak debt protection metrics



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The financial risk profile of the company remained weak due to its low cash accruals attributable to its thin profitability. Due to its low cash accruals, Total debt to GCA remained high at 17.06 years in FY19 (Prov.). Moreover, the DSCR also remained below unity in FY19. However, the company has serviced its shortfall in debt obligations from loan and advances received in the financial year FY19. Further, the interest coverage ratio also remained moderate at 1.35x in FY19.

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by its elongated average receivable collection period which remained over 100 days during the past two fiscals and stood high at 104 days in FY19 (102 in FY18). Driven by its stretched cash flows the reliance on the fund based limits stood high and the average utilization of bank limits stood high at ~ 93% for the past 12 months ended on September, 2019.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is marked by its adequately matched accruals to repayment obligations and highly utilized bank limits. Moreover, average utilization of its fund based limits stood high at ~93% for the past 12 months (Oct-2018 to Sep-2019) indicating a limited liquidity buffer. However, SCSPL has not projected to avail any term loan in next three years and expected to generate adequate cash flow to serve its debt obligations.

About the Company

Incorporated in October 1991, Bangalore based Sindhu Cargo Services Private Limited (SCSPL) is engaged in providing diversified logistic services such as custom clearing, freight forwarding, transportation, warehousing, consultancy on custom laws and foreign trade policy and supply chain management, among others via air, water and land in India. SCSPL has its branches at 20



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locations in all major ports, Inland Container Depot (ICDs) and airports across India. The company is associated with over 100 counterparties across the globe. SCSPL is a licensed custom house agent (CHA). The Company is accredited to International Air Transport Association (IATA) & possess NVOCC (non-vessel owing common carrier).

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Provisional [#]
Total Operating Income	223.60	230.19
EBITDA	8.39	9.15
PAT	1.55	0.30
Total Debt	64.19	64.00
Tangible Net worth	59.37	59.07
EBITDA Margin (%)	3.75	3.97
PAT Margin (%)	0.68	0.13
Overall Gearing Ratio (x)	1.08	1.08

#SCSPL has provided the undertaking for the variation of the audited financials to be within the range of -2% to +2%.

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by ICRA vide press release dated Nov 27, 2019 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	45.95	IVR BB+/Stable	-	-	-
2.	Short Term Non-Fund Based Limits	Short Term	2.00	IVR A4	-	-	-



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	-Bank Guarantee						

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik Tel: (011) 24655636 Email: rmalik@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	45.95	IVR BB+/Stable
Short Term Bank Facilities- Bank Guarantee	-	-	-	2.00	IVR A4