

Press Release

Seagull Maritime Agencies Private Limited

July 22, 2019

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crores)	Rating Assigned	Rating Action
1.	Long Term Fund Based Limits - Cash Credit	35.00 (including proposed limits of Rs. 20.00 crore)	IVR BBB-/Rating Under watch with developing implication (IVR Triple B Minus/Rating Under watch with developing implication)	Rating Under watch with developing implication
	Total	35.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from healthy revenue growth, established relationship with clients, improving capital structure and debt protection metrics, comfortable liquidity position and awards& accreditations. The rating however is constrained by moderate profitability margins, exposure to intense competition, default in group companies and foreign exchange fluctuations, working capital intensive operation, exposure to intense competition, default in group companies. Growth in scale of operations, improving capital structure and moderate profitability margins are the key rating sensitivities. Rating is under watch with developing implications on account of group companies having irregularity in conduct of their respective banking accounts.

List of key rating drivers with detailed description

Key Rating Strengths

Healthy revenue growth

The company has been able to achieve substantial revenue growth over the past. Revenues of the company have increased from Rs. 161.23 crores in FY17 to Rs. 231.51crores in FY18

(CAGR of 43.60%). Revenues increased during the period, on account of increase in quality services of the company. However, it is slightly decreased to Rs. 208.96 Cr in FY19.

Established relationship with clients

The Company has well diversified customers, since top 7 customers contribute only 19.90% of total revenue and has long term contacts with reputed players and good relationship with clients resulted in extending the contracts.

Improving capital structure and debt protection metrics

Due to low external borrowings & strong tangible net worth the overall gearing ratio was at 0.35 times as on March 31, 2019 as compared to 1.62 times as on March 31, 2018. TOL to TNW improved, from 4.40 to 4.27 times in FY18. Further, it improved to 1.24 times in FY19 indicating low financial risk and future financial flexibility to raise the funds.

Comfortable liquidity position

The company has sound liquidity position as reflected in current ratio at 1.66 times in FY19, with efficient operating cycle of 35 days.

Awards & Accreditations from recognized agencies

Seagull has been recognized as the “Best Freight forwarding Company of the Year” in North India in Multimodal Logistics Award, 2017. Additionally, Seagull is a member of World Cargo Alliance (WCA) and has a global network of reputed agents and partners. Seagull is a registered NVOCC with FMC in USA and has a Class “A” license as NVOCC for China/USA trade with the Ministry of Communication, China. It is also a registered Multimodal Transport Operator in India and is FIATA accredited.

Key Weaknesses

Moderate profitability margins

The company is purely into Freight Forwarding Services. As is inherent in a service provider entity, the profitability margins are thin as reflected in EBITDA margin of 3.18% and PAT margin of 1.62% during FY18. Although the same has been improving over the past few years, it is low.

Exposure to intense competition

The Freight Forwarding Industry is highly regulated and hence any change in government policies may impact the performance company's performance and stiff competition from other players in the industry.

Default in group companies

Seagull Maritime Agencies Pvt. Ltd. is a part of World Window Group. In 2018, the credit facilities of three companies of the group had been withheld by the banks resulting in LC devolvement and consequent irregularity in conduct of the accounts. However, SMAPL is insulated from other companies in the group on account of the presence of professional management and lack of operational linkages.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for service sector companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company is earning a moderate level of GCA and the same is expected to increase gradually with increase in scale of operation and level of margin,. Promoters have financially supported the operation of the business as and when required and the same is expected to be so going forward and a part of which is reflected in increase in net worth by virtue of equity infusion. All these factors indicate a moderate degree of liquidity support to the company in meeting its near-term debt obligations. The cash credit limit is very modest considering the top line of over 200 crore. Company is seeking enhancement in limits which will provide additional liquidity to the company.

About the Company

Seagull was originally incorporated in 1998 and was acting as clearing agents, shipping agency, consolidation of cargo, custom house agents, shipping agents and ware house service provider. In 2009, Seagull was acquired by Worlds Window Group to foray into the freight forwarding business. The Company is engaged in carrying on the business of booking of cargo and passage by Air, Sea and Land. Seagull possesses expertise in management of import and export of

goods across locations. The strength in the company comes from the fact that the Worlds Window Group had extensive relationships with transporters, shipping lines, railway line operators. Seagull has capitalized on that knowledge to create a single window for all freight and forwarding requirements.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	231.52	208.96
EBITDA	7.36	5.22
PAT	3.75	2.11
Total Debt	23.25	12.39
Tangible Net worth	14.34	35.08
EBITDA Margin (%)	3.18	2.50
PAT Margin (%)	1.62	1.01
Overall Gearing Ratio (x)	1.62	0.35

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. 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		
					FY2018-19	FY2018-19	FY2018-19
1.	Long Term Fund Based Limits - Cash Credit	Long Term	35.00	IVR BBB- /Rating Under watch with developing implication	IVR BBB- /Stable Outlook* (INC) (March 28, 2019)	IVR A- /Stable Outlook# (March 08, 2018)	--

*Issuer did not cooperate; based on best available information

Rating based on Group approach

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.

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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. 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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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 Fund Based Limits - Cash Credit	--	1 Year MCLR+2.50%	Revolving in nature	35.00	IVR BBB-/ Rating Under watch with developing implication