

Shree Vasu Logistics Limited

March 19, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	14.66	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Short-term Bank Facilities	3.00	CARE A4+ (A Four Plus)	Assigned
Total facilities	17.66 (Rs. Seventeen crore and Sixty Six Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shree Vasu Logistics Limited (SVLL) are primarily constrained on account of its modest scale of operations in the highly competitive nature of the transportation and logistics business, moderate capital structure and working capital intensive nature of operations.

The ratings, however, favorably take into account experienced management in the industry with established customer base and diversified revenue stream. The ratings, further, derive strength from moderate profitability margins.

The ability of the company to increase in scale of operation with expanding geographical reach while maintaining profitability margins and efficient management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Modest scale of operations in the highly competitive nature of transportation and logistics business

The scale of operations of the company stood modest with Total Operating Income and PAT of Rs.31.39 crore and Rs.2.25 crore in FY18 in a highly competitive nature of transportation and logistics business. The business of the company is a highly competitive business on account of high degree of fragmentation in the industry with presence of a large number of small players having limited fleet size, both in organized and unorganized sectors.

Moderate capital structure

The capital structure of the company stood moderate with an overall gearing of 2.38 times as on March 31, 2018, improved from 3.34 times as on March 31, 2017 owing to repayment of unsecured loans and scheduled repayment of term loan as well as accretion of profit to reserve which offset to an extent with higher working capital bank borrowings. However, going forward, the overall gearing is expected to improve owing to infusion of share capital through IPO as well as accretion of profit to reserve and scheduled repayment of term loans. Further, debt coverage indicators of the company stood moderate marked by total debt to GCA of 4.70 times as on March 31, 2018, improved from 7.54 times as on March 31, 2017 on account of higher increase in GCA level and decline in total debt. Interest coverage ratio also stood moderate at 3.59 times as on March 31, 2018, improved from 2.35 times in FY17 on account of increase in PBILDT and decrease in interest expenses.

Working capital intensive nature of operations

The operations of the company are working capital intensive nature with moderate operating cycle of 68 days in FY18 owing to higher receivables period of 78 days and average 71.91% of utilization of its working capital bank borrowings during the past 12 months ended December 31, 2018. Debtors stood high on account of low bargaining power with its customers. Despite high debtors, the current ratio and quick ratio stood below unity at 0.77 times as on March 31, 2018 owing to high utilization of cash credit limit, full utilization of WCDL limit and utilization of ad-hoc limit. It has generated cash flow from operating activities of Rs.5.75 crore in FY18.

Key Rating Strengths

Experienced management in the industry

Mr. Bhushan Garg, founder promoter, is Chairman of the company and has more than three decades of experience in the industry. He is assisted by his son, Mr. Atul Garg, Managing Director, who has experience of more than a decade in the industry. Mrs Preeti Garg has joined SVLL in 2017 and has vast experience in developing financial strategy. Further, the directors are assisted by second tier management who has vast experience in their respective fields.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Further, the promoters have also promoted Bengal Logistics, Bengal Logistics Private Limited which are engaged in same line of business and Shree Jee Real Estate Developers which is engaged in real estate activities.

Established customer base and diversified revenue stream

Being present in the industry since long, the company has established relations with various large corporates and the same is reflected from the repeated orders from them. The customers of the company includes Bharat Petroleum Corporation Limited, Colgate Palmolive India Limited, Dabur India Limited, Marico Limited, Parle Agro Private Limited, Pidilite Industries Limited etc.

Hence, the customer base of the company is diversified which is reflected by top ten customers contributing around 64.40% of Total Operating Income (TOI) during FY18. Further, the company is not dependent on a single industry as it provides its services to a varied types of industry like FMCG to chemicals to automobiles and machineries.

Due to it, Total Operating Income (TOI) of the company has witnessed continuous increase and grew at a Compounded Annual Growth Rate (CAGR) of 48.18% in last three financial years ended FY18. During FY18, TOI has increased by 13.85% over FY17 and stood at Rs.31.29 crore in FY18.

Moderate Profitability margins

During FY18, Profitability margin of the company stood moderate marked by PBILDT and PAT margin of 21.80% and 7.18% respectively. PBILDT margin has improved by 360 bps in FY18 over FY17 mainly on account of higher increase in scale of operations as against increase in cost of sales owing to high fixed expenses. With improvement in PBILDT margin, PAT margin has also improved by 433 bps in FY18 over FY17 mainly due to lower interest cost and depreciation as a percentage of TOI. During FY18, GCA level of the company has improved from Rs.2.54 crore in FY17 to Rs.4.05 crore.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Raipur (Chhattisgarh) based Shree Vasu Logistics Limited (SVLL) was initially established in 2007 as a Private limited company by Garg family with a takeover of four proprietorship concerns (Garg family). Subsequently, in 2018 it was converted into Public limited Company and in May 2018, the shares of the company were listed on NSE SME platform. SVLL is engaged in logistics service which includes warehousing, carrying and forwarding agent, inventory management and distribution management through secondary distribution. It has total warehousing capacity of 15 lakh sq. feet and provides its service to large corporate groups.

(Rs. crore)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	27.57	31.39
PBILDT	5.02	6.84
PAT	0.79	2.25
Overall gearing (times)	3.34	2.38
Interest coverage (times)	2.35	3.59

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications

Analyst Contact:

Name: Mr Abhishek Jain

Tel: 0141-4020213/14

Mobile: 9251265875

Email: abhishek.jain@careratings.com

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July 2024	9.16	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	4.50	CARE BB+; Stable
Fund-based - LT-Bank Overdraft	-	-	-	1.00	CARE BB+; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	1.00	CARE A4+
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	9.16	CARE BB+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	4.50	CARE BB+; Stable	-	-	-	-
3.	Fund-based - LT-Bank Overdraft	LT	1.00	CARE BB+; Stable	-	-	-	-
4.	Fund-based - ST-Working Capital Demand loan	ST	1.00	CARE A4+	-	-	-	-
5.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4+	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD**

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91-0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com