

Sindhu Cargo Services Private Limited

Instrument	Amount (Rs. Crore)	Rating Action October 2016
Fund based facilities- cash credit	36.00 (revised from 45.00)	Reaffirmed at [ICRA]BB+ (stable)
Term loan	15.21 (enhanced from 12.00)	Reaffirmed at [ICRA]BB+ (stable)
Proposed long term facilities	21.79 (enhanced from 18.00)	Reaffirmed at [ICRA]BB+ (stable)
Non fund based facilities	2.00	[ICRA]A4+ assigned

ICRA has reaffirmed the long-term rating assigned to the Rs. 36.00 crore (revised from Rs. 45.00 crore) fund based facilities, Rs. 15.21 crore (enhanced from Rs. 12.00 crore) term loan and Rs. 21.79 crore (enhanced from Rs. 18.00 crore) proposed long term facilities of Sindhu Cargo Services Private Limited (SCSPL / the company)¹ at [ICRA]BB+ (pronounced ICRA double B plus). The outlook on the long-term rating is stable. ICRA has assigned a short term rating of [ICRA]A4+ (pronounced ICRA A four plus) to the Rs. 2.00 crore non-fund based facilities of the company.

The reaffirmation in the rating takes into account strong growth in the revenue during 2015-16 supported by the commencement of domestic transport division, higher contribution from other divisions, setting up of new branches and improved demand outlook in the domestic market. The rating factors in the established presence of the promoters in the industry for over two decades and the company's integrated presence across customs clearance, transportation, freight forwarding and warehousing, in turn, enhancing the business prospects for the company. The rating also takes into account the diversified exposure of SCSPL to a variety of industries, long standing relationship with reputed customers and vendors and strong geographical presence across major sea ports and airports in India.

The rating is, however, constrained by the weak financial profile marked by low profit margins (however, improves when adjusted for reimbursable income), weak coverage indicators and stretched cash flow position, notwithstanding the improvement during 2014-15 and 2015-16 marked by healthy growth in revenues and improvement in the profit margins on account of addition of new branches, revision in pricing contracts with the customers and stabilisation of the operations at the new facility. The rating is further constrained by the high utilisation of the cash credit limit with few instances of over utilisation in the recent past on account of tight liquidity position, however, the liquidity position of the company would be supported in the near term if the working capital limit is enhanced as planned. The rating also takes into account the significant capital expenditure plan towards construction of a warehouse in Bangalore, to be majorly funded by term loan, which is expected to stretch the capital structure and the coverage indicators to some extent going forward.

Company Profile

Incorporated in October, 1991, Sindhu Cargo Services Private Limited (SCSPL) is an integrated logistics service provider. The company has its origins in customs clearance business started by Mr. G Balaraju in 1987 which was later incorporated as a private limited company in October, 1991. Over the years, the company has diversified into freight forwarding, transportation, warehousing and supply chain management starting from customs clearing operations. Presently, SCSPL has offices across the country located at metros and other major cities. In addition, the company has also set up a logistics park in Bangalore (with an outlay of Rs.~45.0 crore over the three year period 2008-09 to 2010-11) thereby centralizing its operations under a new corporate office.

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



Recent results

During 2015–16, the company reported a net profit of Rs. 1.7 crore on an operating income of Rs. 340.1 crore, as against a net profit of Rs. 1.2 crore on an operating income of Rs. 237.3 crore during 2014–15.

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