

CARE/JRO/RL/2018-19/2170

Mr. Atul Garg

Director

Shree Vasu Logistics Limited

Logistics Park, Opp. Jaika Automobiles, Ring Road No. 1,
Raipur- 492001, Chhattisgarh

March 18, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating 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)		

3. Refer **Annexure 1** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is January 31, 2019).

5. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a

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


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view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by at the earliest, we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,


[Khushboo Nathawat]

Jr. Analyst

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[Abhishek Kumar Jain]

Manager

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CARE Ratings Limited

(Formerly known as Credit Analysis & Research Limited)

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

As per

Annexure 1
Details of Rated Facilities

1. Long-term Bank Facilities

1.A. Secured rupee term loans

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	Kotak Mahindra Bank Limited	2.37	Outstanding as on December 31, 2018	Original Sanctioned Amount is Rs.2.45 crore to be repayable in 76 equally monthly instalments (EMI) of Rs.0.05 crore starting from April, 2018
2.		1.31	Outstanding as on December 31, 2018	Original Sanctioned Amount is Rs.2.25 crore to be repayable in 81 equally monthly instalments (EMI) of Rs. 0.04 crore starting from August 2015
3.		0.80	Outstanding as on December 31, 2018	Original Sanctioned Amount is Rs.1.75 crore to be repayable in 68 equally monthly instalments (EMI) of Rs. 0.03 crore starting from August 2015
4.		1.17	Outstanding as on December 31, 2018	Original Sanctioned Amount is Rs.2.49 crore to be repayable in 72 equally monthly instalments (EMI) of Rs.0.05 crore starting from July 2015
5.		3.51	Outstanding as on December 31, 2018	Original Sanctioned Amount is Rs.7.44 crore to be repayable in 72 equally monthly instalments (EMI) of Rs.0.14 crore starting from July 2015
Total Facility		9.16		

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1.B. Fund Based working capital limits

Sr. No.	Name of Bank	Fund Based Limits		
		Cash credit	Bank Overdraft	Total fund-based limits
1	Kotak Mahindra Bank Ltd	4.50	-	4.50
2.	Axis Bank	-	1.00	1.00
	TOTAL	4.50	1.00	5.50

Total long-term facilities Rs.14.66 crore

2. Short-term facilities

2.A Fund Based facilities

Sr. No.	Name of Bank	Fund Based Limits		
		Working Capital Demand Loan	Remarks	Total fund-based limits
1	Kotak Mahindra Bank Ltd	1.00	Up to 120 days	1.00
	TOTAL	1.00	-	1.00

2.B Non Fund Based Facilities

Sr. No.	Name of Bank	Non Fund Based Limits		
		BGs*	Others	Tenure as per sanction letter
1	Kotak Mahindra Bank Ltd	2.00	-	Up to one year
	TOTAL	2.00	-	

*BG: Bank Guarantee

Total short-term Facilities (2.A) Rs. 3.00 crore

Total Bank Facilities Rs.17.66 crore

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Annexure-II
Press Release
Shree Vasu Logistics Limited

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)		

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.

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

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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.

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.

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(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 (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.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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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+	-	-	-	-

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