



Rating Rationale

Maha Maruti Logistics Pvt. Ltd.

13th September 2017

Brickwork Ratings assigns BWR B+/A4 for the Bank Loan Facilities of Rs. 9.25 Crs of Maha Maruti Logistics Pvt. Ltd.

Particulars

Facility Rated#	FB/ NFB	Amounts (Rs. Crs)	Tenure	Rating^
SODH	Fund Based	2.25	Long term	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable
Bank Guarantee	Non Fund Based	7.00	Short term	BWR A4 (Pronounced BWR A Four)
Total		9.25 (INR Nine Crores and Twenty Five Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Maha Maruti Logistics Pvt. Ltd. ('MML' or the Company) upto FY16, provisional financials for FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experience of MML's promoters in the logistics business, locational advantages, reputed clientele and established relations with suppliers and customers. The rating is constrained by the small scale of operations, thin and fluctuating profitability, stretched receivables and presence in a fragmented and competitive industry.

Going forward, the company's ability to increase its scale of operations, improve profitability, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

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Key Rating drivers

Credit strengths

Experienced management

The promoters have industry experience in the logistics industry spanning around a decade.

Locational advantages

Vishakhapatnam is fast emerging as a hub for logistics and trade with the development of the Vizag Port. The port city is becoming a forerunner in logistics and allied activities.

Established clientele

MML has long-standing relationships with reputed clients like Rashtriya Ispat Nigam Ltd. (Vizag Steel), VijayNagar Biotech Ltd. and other steel manufacturers.

Credit Weaknesses

Fluctuating profits

Net profit margins were low and fluctuating at 2.02% (FY15), 0.58% (FY16) and 10.04% (FY17 provisional) due to the volatility in fuel prices and handling and maintenance costs.

Small scale of operations

Net revenue from operations decreased from Rs. 16.97 Crs (FY15) to Rs. 11.79 Crs (FY16). On a provisional basis, net revenue from operations was Rs. 11.96 Crs in FY17.

Stretched receivables position

The company has a stressed cash conversion cycle. Days receivables are high at 244 days (FY16) and 246 days (FY17 Provisional).

Competitive Industry

The logistics and handling business is fragmented and competitive. MML is primarily executing orders from RINL, a PSE, and has limited pricing flexibility.

Rating Outlook : Stable

BWR believes that Maha Maruti Logistics Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Maha Maruti Logistics Pvt. Ltd. (MML), was formerly M/s Maruti Transports; a partnership firm established in 1978 by Mr. A Satyanarayana Murthy. MML is engaged in providing end to end logistics solutions such as unloading, reloading, transportation to stockyards, and dispatch of material as per specific job orders. The company has a fleet of vehicles with capacities ranging from 8 MT to 75 MT. Materials that are commonly transported are steel, containers, process material and machineries.



Financial Performance

MML reported net revenue from operations of Rs. 11.79 Crs for FY16 as against net revenue from operations of Rs. 16.97 Crs in FY15. PAT was Rs. 0.07 Crs for FY16 against PAT of Rs. 0.35 Crs for FY15. On a provisional basis, for FY17, the Company reported net revenue from operations of around Rs. 11.96 Crs. Tangible Net Worth and gearing as on March 31 2017 (prov.) stood at Rs. 9.81 Crs and 0.96 times respectively.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Instrument/ Facility	Current Rating (September 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
Fund Based SODH	Long Term	2.25	BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
Non Fund based Bank Guarantee	Short Term	7.00	BWR A4 Assigned	Not Rated	Not Rated	Not Rated
	Total:	9.25	INR Nine Crores and Twenty Five Lakhs Only			

Status of non-cooperation with previous CRA:

CRISIL Ratings, vide its press release dated August 21, 2017 has downgraded its rating of the bank loan facilities of the company and denoted it as ISSUER NOT COOPERATING on account of non-provision of the requisite information needed to conduct the rating exercise.

Any other information: Not applicable



Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Services Sector](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Maha Maruti Logistics Pvt Ltd

Annexure I – Details of Rated Facilities

Bank Facilities	Amount (Rs. Crs)	Rated Amount (Rs. Crs)
Syndicate Bank, Mid Corporate Branch, Vizag		
Fund based - SODH	2.25	2.25
Non fund based – Bank Guarantee	7.00	7.00
Total	9.25	9.25

Annexure II – Key Financial Indicators

Particulars	FY2016 (A)	FY2017 (Provisional)
Net Revenue from operations (Rs. Cr)	11.79	11.96
EBITDA (Rs. Cr)	1.31	2.82
PAT (Rs. Cr)	0.07	1.20
Tangible Net Worth (Rs Cr)	9.52	9.81
Total Debt: Tangible Net Worth (Times)	0.94	0.96
Current Ratio (Times)	1.27	2.14

**For print and digital media**

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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