

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Credit facilities amounting to ₹ 15 Cr of RNP Marketing & Cargo Pvt. Ltd

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Credit facilities of RNP Marketing & Cargo Pvt. Ltd (*"RMCPL" or "the Company"*).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based		Long Term	BWR BB (BWR Double B)
CC	15.00		Outlook:Stable
Total	15.00	(INR Fifteen Crores only)	

BWR has principally relied upon the audited financial results of RNP Marketing & Cargo Pvt. Ltd (RMCPL) up to FY 13 and further projected financials, publicly available information and information/clarification provided by the Company management.

The ratings assigned to the bank facilities of RNP Marketing & Cargo Pvt. Ltd (RMCPL) favorably factors its promoters' extensive experience in the road freight transport industry, established corporate clientele and stable growth in revenue. However the rating strengths are partially mitigated by fragmented and highly competitive nature of the transport industry in which the firm is a small-size player.

Background

The company was co-founded by Mr. Ramesh Gami and Mr. Piyush Joshi in 2008 through the takeover of Gujarat Cargo Carriers a proprietary firm of Mr. Ramesh Gami the present director of RMCPL. Company has expertise in heavy trucks and trailers through which it provides logistics services. Currently RMCPL is operating its business through JNPT. The company has a fleet of 21 vehicles of its own and further arranges vehicles on subcontracting basis to carry out day to day operation. RMCPL has its registered office in Mumbai with branch offices at Kalamboli (Navi Mumbai), Kolkata (West Bengal), Hospet (Karnataka), Jambusar and Mundra (Gujarat).

Financial Performance

RMCPL's revenues grew by ~54% from Rs. 59.30 Cr in FY12 to Rs. 91.45 Cr in FY13. This growth has been spurred by higher scale of operation and addition of new customer. The operating margin of the company is low and has been in the range of 5-6% mainly on account of intense competition inherent in freight forwarding industry.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

However RMCPL's operating profitability improved by 50bps to 5.6% in FY 13, in line with past trends, and is expected to remain close to this over the medium term. Net profit margin of the company is deteriorated by 54bps to 1.96% in FY13 partly on account of higher interest outgo. The profit for FY13 stood at ₹1.79 Cr against ₹1.46 Cr in FY12.

FY 13 witnessed moderate increase in tangible Net worth which is attributable to the profit accruals for the period and infusion of funds by way of equity. Company's total debt has substantially increased to Rs. 21.12 crore in FY13 on account of Rs.4.67 Cr Capex incurred for purchase of vehicles. Consequently, reliance on external debt has remained high, with average bank limit utilisation at 89 per cent during the year. RMCPL had also availed ad-hoc limits from Oct to Dec 2013 and has now proposed for enhancement in its cash credit limit. Its financial risk profile remains moderate, with modest gearing of 2.44 times on a net worth of Rs.8.66 Cr as on March 31, 2013 and adequate debt protection metrics with ratios of net cash accruals to total debt and interest coverage of 0.12 times and 2.39 times, respectively, for 2012-13. The financial risk profile will remain constrained by large working capital requirements and weak liquidity. But gearing levels is expected to decline further on account of systematic repayment of term loan.

As per provisional financials RMCPL reported a profit after tax (PAT) of Rs.1.74 Cr on net sales of Rs.123.21 Cr for FY 14, against a PAT of Rs.1.79 Cr on net sales of Rs.91.45 Cr for the previous FY 13.

Rating Outlook

Company's ability to diversify its customer base and prudent management of receivables will remain key to sustainable growth in future.

A sustained increase in revenue and EBITDA margins and reduction of revenue concentration while maintaining credit metrics could lead to a positive rating action, while decline in revenue and profitability leading to deterioration in liquidity position could lead to a negative rating action.

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