RATING RATIONALE **7 July 2020**

SRINIVASA TRANSPORTS

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 11.00 Crores of Srinivasa Transports (or 'the firm')

Particulars:

Facility**	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr 2019)	Present
Fund Based	10.00	10.00	Long Term	BWR BB/ Stable	BWR BB/Stable (Reaffirmed)
Non Fund Based	1.00	1.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	11.00	11.00	Rupees Eleven Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities is provided in Annexure-I

Rating Action/Outlook

The rating reaffirmation has factored the experience of the partners in the same line of business, operational track record of the firm and its established relationship with the clients. The rating has also factored the infusion of funds during business operations in FY20 and satisfactory profit margins of the firm. The rating, however, is constrained by the firm's moderate scale of revenues, its constitution, working capital intensive nature of operations and presence in a highly fragmented and competitive industry.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR expects that the business risk profile of Srinivasa Transports will be maintained over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if there is any deterioration in the financial risk profile of the firm.

Key Rating Drivers

BWR has principally relied upon the audited financial results up to FY19 of Srinivasa Transports, provisional 11MFY20 figures, publicly available information and information/clarification provided by the firm's management.

Credit Strengths:

- **Experienced partners and track record of the firm:** The firm has a track record of more than two decades, having commenced its operations in 1992. The experience of the partners of more than two decades and an established track record in the business has helped the firm in maintaining a long standing relationship with its clientele resulting in stable flow of orders. The firm has a reputed clientele and it operates as subcontractors to them. The clientele of the firm includes companies like Visakha Container Terminal Pvt Ltd, Seaways Shipping & Logistics Ltd, RAK Ceramics India Pvt Ltd, Kakinada Container Terminal Pvt Ltd etc.

- **Partner's contribution and satisfactory profit margins:** As per the provisional financials of 11MFY20, the partners of the firm have infused funds by way of partner's capital to the tune of Rs. 5.03 Cr. The profit margins of the firm is satisfactory with an operating profit margin of 21.04% and net profit margin of 5.78% in FY19.

Credit Risks:

- **Moderate revenue scale and working capital intensive nature of operations:** The firm has a moderate scale of operations with an average total operating income of Rs. 39.71 Cr in the last three (FY18, FY19, FY20) financial years. It has reported a net sales of Rs. 39.71 Cr in FY20. The business operations of the firm are working capital intensive in nature as reflected from its receivable days of more than three months over the past four years. High receivables of the firm has increased the requirement for additional working capital and thereby efficient management of the same is crucial for its enhanced revenue scale, which the firm has been achieving from the last three financial years.

- **Constitution of the firm and competitive industry:** Being a partnership constitution, the firm is exposed to inherent risk of withdrawal of capital by the partner which may impact the overall capital structure and debt metrics of the firm. Also, the firm operates in a highly fragmented industry consisting of numerous small and large players resulting in high competition in terms of pricing flexibility and acquisition of orders.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone performance of Srinivasa Transports and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Rating Sensitivities

Going forward, the ability of the firm to enhance its scale of operations and maintain its profit margins while managing the receivables efficiently along with maintaining the capital as reported in 11MFY20 provisional figure, would be the key rating sensitivities.

Positive: The rating may be upgraded in case of substantial improvement in revenues and profits, going forward.

Negative: The rating would be adversely affected if there is any deterioration in revenue scale and overall credit risk profile of the firm.

Liquidity Position

The firm has an average liquidity position. The working capital utilization of the firm, combining utilization of both the banks, stands at ~60% in the last six months on account of receivables level of 30% to the revenue in 11MFY20, which remained the same over the past four years. It has cash & cash equivalents of Rs. 0.34 Cr and current ratio of 1.30 times as per 11MFY20 provisional financials.

Profile of the Firm

Srinivasa Transports was established in the year 1992 as a partnership firm, located at Visakhapatnam, Andhra Pradesh. Mr. D Srinivasa Reddy, Mrs. D Venkayamma, Mrs. D Uma Krishna Veni and Mrs. D Mangatayaru are the partners of the firm. The firm is engaged in the business of transportation of containers, C H A services, stevedoring, cargo handling, customs bonded warehouse etc.

Key Financial Indicators (in Rs Crs)

Key Parameters	Units	FY18	FY19
Result Type		**Audited**	**Audited**
Total Operating Income	Rs Crs	39.61	40.07
EBITDA	Rs Crs	8.49	8.43
PAT	Rs Crs	2.33	2.31
Tangible Net worth	Rs Crs	5.67	6.65
Total Debt/Tangible Net worth	Times	4.17	3.47
Current Ratio	Times	1.40	1.09

Key Covenants Of The Instrument/Facility Rated: The terms of sanction includes covenants normally stipulated for such facilities.

Non-cooperation With Previous Rating Agency: None

Rating History for the Previous Three Years [including withdrawal and suspended]

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (Rs Crs)	Rating	05.04.2019	27.04.2018	21.06.2017
Fund Based	Long Term	10.00	**BWR BB/Stable (Reaffirmed)**	BWR BB/Stable	BWR BB/Stable	BWR BB/Stable
Non Fund Based	Short Term	1.00	**BWR A4 (Reaffirmed)**	BWR A4	BWR A4	BWR A4
Total		11.00	Rupees TwentySeven Crores and One Lakh Only			

Note: The firm was initially rated in April 2014 and was assigned a long term rating of BWR BB/Stable and short term rating of BWR A4. The rating was then reaffirmed in April 2016.

Complexity Levels of the Instruments
For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**
- **Short Term Debt**

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Srinivasa Transports

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1.	Kotak Mahindra Bank	Overdraft	5.00	-	5.00
2.		Bank Guarantee	-	1.00	1.00
3.	Axis Bank	Overdraft	3.50	-	3.50
4.		Proposed Amount	1.50	-	1.50
TOTAL					**11.00**

Total Rupees Eleven Crores Only

For print and digital media

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DISCLAIMER

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