

Press Release

Parveen Travels Private Limited

December 31, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 100.00 crore bank facilities of Parveen Travels Private Limited (PTPL). The outlook is '**Stable**'.

The reaffirmation of the rating reflects established track record of operations and moderate levels of working capital management. However, the rating is constrained by average financial risk profile and geographic concentration in revenue profile.

PTPL, is the flagship company of the Allah Baksh (AB) group, established as a proprietorship firm in 1980 and converted to private limited company in 2000. It is engaged in providing transportation services such as employee commutation, intercity passenger transportation, tours and travels. The company is running a fleet of 1530 vehicles in South India. Further, the company has petrol bunk with an installed capacity of 1,50,000 litres per day. It is the authorised dealer of Indian Oil Corporation. The company generates 75 percent of revenues from transportation division, and remaining from trading in oil division.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PTPL to arrive at the rating.

Key Rating Drivers

Strengths

• Established track of operations and experienced management

The business was started in 1980 by Mr. A Afzal and family who possess more than three decades of experience in the transportation services, tours & travels, hospitality, restaurants, automobile dealership, among others. Long vintage of operations supported in diversifying the revenue profile and integration of operations. PTPL derives revenues from corporates for employee commutation, intercity passenger transportation, tours and travels. Further, to maximize the efficiencies and profitability, it also has dealership of petroleum products. The company operates a fleet of 1385 buses and 150 cars in South India. PTPL has reputed clientele such as Tata Consultancy Services Limited, Hyundai Motors India Limited, Eicher Motors Limited (Royal Enfield Unit), among others.

Revenues have improved at a compound annual growth rate (CAGR) of 13.2 percent over the past three years through FY2018 to Rs.335.98 crore. Further, revenue growth is backed by regular capital expenditure in vehicles. For the 7MFY2019, the company reported revenues of Rs.223.00 crore and estimating revenues of Rs.380.00 crore for FY2019. Acuite believes that PTPL's business risk profile is expected to improve further supported by increasing size of fleet and customer addition.

• Moderate working capital cycle

Working capital cycle of the company is moderate with Gross Current Assets (GCA) at 96 days in FY2018 as against 91 days in FY2017. High receivable days stood at about three months against regular credit period of about 45-60 days owing to stretch in its debtors in its employee commutation and other services. This has led to full utilisation of its working capital limits for the last six months through November 2018. Revenue growth while balancing the receivable cycle is key rating sensitivity factor over the medium term.

Weaknesses

• Average financial risk profile

Financial risk profile of the company is average marked by moderately high gearing, total outside liabilities to total net worth and moderate debt protection metrics. Gearing is moderately high at 2.58 times as on 31 March, 2018 as against 2.54 times as on 31 March, 2017. TOL/TNW is high at 3.01 times as on 31 March, 2018 as against 2.98 times as on 31 March, 2017. Net worth is moderate at Rs.68.29 crore in FY2018 as against Rs.60.19 crore in FY2017; improvement owing to accretion to reserves. Of the total debt of Rs.176.47 crore as on 31 March, 2018, long term debt constitutes Rs.126.36 crore, unsecured loan of Rs.5.74 crore and short term debt of Rs.44.37 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt is moderate at 2.97 times and 0.17 times respectively in FY2017.

Debt service coverage ratio is comfortable at 1.24 times in FY2018 as against 1.23 times in FY2017. The company regularly invests on transport vehicles in the range of Rs.40-50 crore annually. In the current year, they have invested about Rs.50.00 crore, majorly debt-funded. Net cash accruals stood at Rs.30.12 crore in FY2018 and cash accruals are expected to be around Rs.36 crore to Rs.45 crore against the repayment obligations of Rs.35-40 crore over the medium term. Acuite believes that continuous debt-funded capex and just sufficient cash accruals for repayment obligations are expected to constrain the financial risk profile at these levels over the medium term.

• Geographic concentration risk and competitive and fragmented industry

The operations of PTPL are concentrated in Tamil Nadu and it operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of organised and unorganised players in the sector limits the bargaining power with customers.

Outlook: Stable

Acuite believes that PTPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and cash accruals while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital requirements, or larger-than expected debt-funded capital expenditure leading to deterioration in the financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	335.98	312.91	262.22
EBITDA	Rs. Cr.	54.63	48.10	39.08
PAT	Rs. Cr.	8.57	12.48	8.88
EBITDA Margin	(%)	16.26	15.37	14.90
PAT Margin	(%)	2.55	3.99	3.38
ROCE	(%)	14.09	17.48	30.58
Total Debt/Tangible Net Worth	Times	2.58	2.54	2.55
PBDIT/Interest	Times	2.97	2.91	2.85
Total Debt/PBDIT	Times	3.17	2.98	3.16
Gross Current Assets (Days)	Days	96	91	82

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Oct-2017	Proposed Long Term Loan	Long Term	6.00	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	31.00	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	2.99	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	1.61	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	6.13	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	18.52	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	5.50	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	12.54	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	11.22	ACUITE BBB- / Stable (Assigned)
	Term Loans	Long Term	4.49	ACUITE BBB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	17.52	ACUITE BBB- / Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE BBB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	31.00	ACUITE BBB- / Stable (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.73	ACUITE BBB- / Stable (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- / Stable (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	25.57	ACUITE BBB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	9.78	ACUITE BBB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.13	ACUITE BBB- / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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