

Press Release

Parveen Travels Private Limited

February 15, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE D (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 100.00 Cr bank facilities of Parveen Travels India Limited.

Rationale for Rating Downgrade

The rating downgrade is based on continued stretch in liquidity profile marked by stretch in the receivable cycle at about three months with a regular credit period of 45 to 60 days. This arises from the debtor stretch in the employee commute segment which caters to approximately 55 percent to the turnover. This stretch has led to the delays in the repayment obligation of term debt by 30 to 60 days and full utilisation of its fund-based facility.

About the Company

Parveen Travels Private Limited (PTPL) was established as a proprietorship in 1980 and converted to private limited in the year 2000. It is engaged in providing transportation services. Further, the company has petrol bunk with a capacity of 1,50,000 litres per day; they are the authorized dealers for Indian Oil Corporation. The company is promoted by Mr. A. Afzal, and his family members who possess more than two decades of experience in the transportation industry. PTPL is the flagship company of the Allah Baksh (AB) group which has a presence in transport services, tours & travels, hospitality, restaurants, automobiles dealership, and petroleum dealership (of Indian Oil Corporation (IOC)).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PTPL for arriving 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 commute, 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 1200 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. The promoter's experience in the business and affluence among corporate customers has helped the revenues growth at Rs.363.9 Cr in FY2020. The revenue profile is supported by regular capital expenditure on vehicles.

Weaknesses

- Delays in serving debt obligations**
 The company has been delaying in servicing its debt obligations for the last two months through December 2020, by about 30-60 days; owing to stretch in its liquidity. The stretch in liquidity is due to delay in receiving payments from corporate clients in the employee commute segment. This has caused delays in repaying the obligations to the banks and full utilization of the working capital fund-based facility

- **Working capital intensive operations**

Operations of the company have shown moderate working capital management marked by gross current assets (GCA) at 97 days in FY2020 as against 92 days in FY2019. High receivable days stood at 73 days in FY2020 against credit period of 45 to 60 days owing to stretch in collections from corporate customers. Inventory days stood at 10 days in FY2020 against 10 days in FY2019. Moderate working capital operations and stretch in receivables has led to full utilisation of its bank lines over last six months through December, 2020. The current ratio of PTPL is average at about 1.19 times as of March 31, 2020.

- **Moderate financial risk profile**

Financial risk profile of the company is moderate marked by moderately high gearing, total outside liabilities to total net worth and moderate debt protection metrics. Gearing is moderately high at 2.26 times as on 31 March, 2020 as against 2.73 times as on 31 March, 2019. TOL/TNW is moderately high at 2.67 times as on 31 March, 2020 as against 3.17 times in 31 March 2019. Net worth was moderate at Rs.81 Cr in 31 March 2020 as against Rs.77 Cr on 31 March 2019.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt is moderate at 2.50 times and 0.17 times respectively in FY2020. Further, net cash accruals are expected to be around Rs.12 Cr to Rs.30 crore against the debt obligations of Rs.27 Cr over the medium term.

Rating Sensitivities

Not Applicable

Liquidity: Stretched

The company's liquidity position is stretched as reflected by the fully utilized working capital limits. The company has been delaying in servicing its debt obligations for the last two months through December 2020, by about 30-60 days; owing to stretch in its liquidity. The stretch in liquidity is due to delay in receiving payments from corporate clients in the employee commute segment. Receivable days stood at 73 days in FY2020 against credit period of 45 to 60 days owing to stretch in collections from corporate customers. The company had low unencumbered cash balances of Rs. 0.95 Cr as on 31st March, 2020. The current ratio stood at 1.19 times as on 31st March, 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	363.96	384.00
PAT	Rs. Cr.	3.55	9.04
PAT Margin	(%)	0.98	2.35
Total Debt/Tangible Net Worth	Times	2.26	2.73
PBDIT/Interest	Times	2.50	2.89

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Dec-2019	Term Loans	Long Term	17.52	ACUITE BB/Stable (Downgraded)
	Overdraft	Long Term	44.00	ACUITE BB/Stable (Downgraded)
	Term Loans	Long Term	25.57	ACUITE BB/Stable (Downgraded)
	Term Loans	Long Term	9.78	ACUITE BB/Stable (Downgraded)
	Term Loans	Long Term	3.13	ACUITE BB/Stable (Downgraded)
31-Dec-2018	Term Loans	Long Term	17.52	ACUITE BBB-/Stable (Reaffirmed)
	Overdraft	Long Term	44.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	31.00	ACUITE BBB- (Withdrawn)
	Term Loans	Long Term	10.73	ACUITE BBB- (Withdrawn)
	Proposed Bank Facility	Long Term	6.00	ACUITE BBB- (Withdrawn)
	Term Loans	Long Term	25.57	ACUITE BBB-/Stable (Reaffirmed)
	Term Loans	Long Term	9.78	ACUITE BBB-/Stable (Reaffirmed)
	Term Loans	Long Term	3.13	ACUITE BBB-/Stable (Reaffirmed)
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	Dec, 2017	12.0%	Sep, 2023	52.00	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE D (Downgraded)

Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE D (Downgraded)
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About Acuité Ratings & Research:

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