

Press Release

Om Transport

May 13, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 10.00 crore bank facilities of OM TRANSPORT. The outlook is '**Stable**'.

Established in 2005, Om Transport (OT) is Uttar Pradesh based firm, engaged in providing road transportation services for coal mining companies on contractual basis. The firm gets contracts from Northern Coalfields Limited (NCL) and also other private players. The firm is promoted by Mr. Om Prakash Pandey, Mrs. Shakuntala Devi, Mr. Manoj Pandey, and Mr. Atul Pandey

Analytical Approach

The team has taken a standalone view of the business and financial risk profile of Om Transport.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

OT a partnership firm established in 2005 by Mr. Om Prakash Pandey, Mrs. Shakuntala Devi, Mr. Manoj Pandey, and Mr. Atul Pandey. The partners have an industry experience of over a decade in this industry. This has enabled the firm establish a healthy relationship with clients resulting in reputed clientele base such as National Coalfields Limited, Hindalco to name a few.

- Above Average Financial Risk profile**

The financial risk profile of the firm is above average marked by tangible net worth of Rs.16.58 crore as on 31 March 2019 (prov.) as against Rs.12.52 crore in the previous year. Gearing (debt-equity) stood comfortable at 0.83 times as on 31 March 2019 (prov.) as against 0.79 times as on 31 March 2018. The coverage indicators are healthy marked by interest coverage ratio (ICR) which stood at 4.83 times for FY2019 as against 6.12 times for FY2018. DSCR stood at 4.83 times for FY2019 as against 5.24 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.44 times as on 31 March 2019 as against 1.63 times as on 31 March 2018. Acuité believes the financial risk profile of the company will remain above average backed by moderate net cash accruals and no major debt funded capex in near to medium term.

- Moderate working capital intensive operations**

The operations of OT are moderately working capital intensive evident from the GCA days of 55 in FY2019 as against 48 in FY2018.

Weaknesses

- Modest scale of operations**

The firm has its presence for over a decade in this industry, however, the operating income stood at modest level with revenue of Rs.37.40 crore for the FY2019 (Provisional) as against Rs.38.85 crore for the FY2018.

• Risk Associated with Volatility in Raw Material Prices

The only raw material for the OT is high speed diesel (HSD) and as the oil prices are volatile in nature so the margins of the firm stands vulnerable to the volatility in oil prices.

Liquidity Profile:

The firm has a moderate liquidity position marked by average net cash accruals to its maturing debt obligations. OT generated net cash accruals of Rs.4.74 crore for the FY2019 with the maturing debt obligation of Rs.1.74 crore for the same period. The cash and cash equivalents stood at Rs.1.02 crore as on 31st March 2019 as against Rs.1.40 crore as on 31st March 2018. The current ratio of OT stood at 1.83 times as on March 31, 2019 and 1.41 times as on 31st March 2018. The operations of the firm stood moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 55 days in FY2019 as against 48 days in FY2017.

Outlook: Stable

Acuite believes that Om Transport will continue to benefit over the medium term from the promoters experience and order book position. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	37.40	38.85	40.06
EBITDA	Rs. Cr.	5.65	6.14	5.16
PAT	Rs. Cr.	1.79	1.47	1.50
EBITDA Margin	(%)	15.11	15.80	12.87
PAT Margin	(%)	4.80	3.80	3.76
ROCE	(%)	11.49	15.48	20.68
Total Debt/Tangible Net Worth	Times	0.83	0.79	0.71
PBDIT/Interest	Times	4.83	6.12	6.21
Total Debt/PBDIT	Times	2.30	1.84	1.41
Gross Current Assets (Days)	Days	55	48	38

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Application of 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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- / Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research:

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