Press Release

Kandoi Transport Limited

February 07, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	56.00	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	71.36	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	127.36	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned a long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and the short term rating of 'ACUITE A3' (read as ACUITE A three) to the Rs.127.36 crore of bank facilities of Kandoi Transport Limited (KTL). The outlook is 'Stable'.

The rating continues to reflect the extensive experience of the management in the transport business. The rating also reflects healthy scale of operation and comfortable financial risk profile of the company. However, these strengths are partially offset by moderate profitability margin and working capital intensive operation during the period.

About the Company

Kandoi Transport Limited (KTL) based out of Cuttack, Orissa was started in 1976, as a partnership firm, which was then converted to a Public Limited Company (unlisted) in the year 1995. KTL is a family run business and mainly caters to the transportation requirements of various customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SCCPL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and long t rack record of operation

The company has a long track record of over four decades in the transport industry. The company is managed by Mr. Ganesh Prasad Kandoi and Mr. Navin Kumar Kandoi who are actively involved in the day to day operations of the company. Acuité believes that the long standing experience of the promoters has helped the company to build healthy relationship with reputed customers and service providers. Some of the major customers include Northern Coalfields Limited, All India Food Supply Pvt Ltd., Jindal Stainless Ltd, Hindalco Industries Ltd. among others

Healthy scale of operation coupled with improving profitability margin

The revenue of the company stood healthy at Rs.231.56 crore in FY2021 as compared to

Rs.250.29 crore in the previous year. This decrease in revenue is on account of overall downturn in the domestic market backed by nation-wide lockdown and impact of COVID-19 outbreak. The company has earned Rs.216.00 crore till end of November 2021 (Prov.). Further, the company has healthy un-executed order book of Rs.582.36 crore as on October 2021 which ensures revenue visibility over the medium term.

The operating profitability margin of the company has improved to 7.08 per cent in FY2021 against of 6.99 per cent in the previous year. This improvement in profitability margin is on account of increase in transport rate during the period. The net profitability margin of the company stood comfortable at 2.16 per cent in FY2021 as compared to 2.38 per cent in the previous year. Going forward, Acuité believes the profitability margin of the company will increase and sustained at the comfortable level over the medium term. Further, the company has its own fleet of around 100 vehicles, which enable to maximise the profitability and timely delivery. In addition, the company hires vehicles from time to time in case of high market demand.

Comfortable financial risk profile
The financial risk profile of the company is marked by modest net worth, moderate gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.54.43 crore in FY 2021as compared to Rs. 49.43 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company has stood moderate at 1.29 times as on March 31, 2021 when compared to 1.28 times as on March 31, 2020. Interest coverage ratio (ICR) is healthy and stood at 2.27 times in FY2021 as against 2.42 times in FY 2020. The debt service coverage ratio (DSCR) of the company stood low at 0.93 times in FY2021 as compared to 0.95 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.13 times in FY2021 as compared to 0.16 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses
Working capital intensive nature of operation
The working capital intensive operation of the company is marked by high gross current asset (GCA) days of 153 days in FY2021 as compared to 133 days in the previous year. The debtor days of the company stood high at 114 days in FY2021 as compared to 96 days in the previous year. The high GCA days of the company emanates from high other current asset of Rs.26.82 crore in FY2021 which consists of advance to suppliers, Security and EMD deposits among others .

Presence in highly fragmented and competitive transport industry
The company operates in highly fragmented industry with stiff competition from organised and unorganised players in domestic and international market.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability
- Further elongation in working capital management
- Timely execution of orders

Material covenants
None

Liquidity - Adequate
The company has adequate liquidity marked by low net cash accruals of Rs.8.92 crore as against Rs.10.20 crore long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 14.42 crore to Rs. 16.46 crore during 2022-23 as against Rs. 9.00 crore FY2022 and in Rs. 3.00 crore inFY2023 respectively of long term debt

obligations. The current ratio of the company stood comfortable at 1.52 times in FY2021. The working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 153 days in FY2021. The bank limit of the company has been ~94 percent utilized during the last six months ended in December 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook- Stable

Acuité believes the company's outlook will remain stable over the medium term on account of experience of the promoters, long execution track record, healthy order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further deterioration in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	231.56	250.29
PAT	Rs. Cr.	5.00	5.96
PAT Margin	(%)	2.16	2.38
Total Debt/Tangible Net Worth	Times	1.29	1.28
PBDIT/Interest	Times	2.27	2.42

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

Infomerics Ratings, vide its press release dated Jan 08, 2022 had downgrade the rating of Kandoi Trabsport Limited to 'IVR BB / IVR A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	18.61	ACUITE A3 | Assigned
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	19.75	ACUITE A3 | Assigned

Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3 | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- | Stable | Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- | Stable | Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- | Stable | Assigned

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About Acuité Ratings & Research

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