



## Press Release

**Kandoi Transport Limited**

**October 20, 2020**

### **Ratings**

<b>Sl. No.</b>	<b>Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
1.	Long term Bank Facilities	56.75	IVR BB+; Stable (Double B with Stable outlook)	Assigned
2.	Short Term Bank Facilities	40.60	IVR A4 (A Four)	Assigned
3.	Long/Short Term Bank Facilities	1.00	IVR BB+ / Stable IVR A4 (Double B Plus; with Stable outlook ; A Four)	Assigned
4.	Long Term Bank Facilities – Proposed	1.65	IVR BB+; Stable (Double B with Stable outlook)	Assigned
	<b>Total</b>	<b>100.00 (One hundred crore only)</b>		

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The aforesaid ratings assigned to the bank facilities of Kandoi Transport Limited (KTL) derives comfort from its experienced promoters, reputed clientele with strong order book, asset light model of operations and stable financial performance over the past three fiscals. These rating strengths, however, remain constrained due to susceptibility of revenues to economic slowdown and variations in trade volumes and highly fragmented & competitive nature of its business. The ratings also note its moderate capital structure and average debt protection metrics coupled with high working capital requirement.

### **Rating Sensitivities**

#### **Upward factors**

- Sustained improvement in its scale of operation with improvement in cash accruals and debt protection metrics
- Improvement in EBITDA margin above 8% on a sustained basis and reduction in operating cycle.
- Improvement in capital structure with overall gearing below 1x

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators and/ or liquidity on a sustained basis



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- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in the debt protection metrics
- Elongation in its operating cycle to beyond 100 days

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced promoter with long track record**

The promoters of KTL, Mr. GP Kandoi and Mr. Navin Kanodi have close to four decades of experience in the rail and road freight and logistics business. They transport minerals for many reputed producers in the industry. Infomerics believes, presence of experienced promoters will continue to support the business risk profile of the company.

##### **Reputed clientele with strong order book**

KTL serves companies such as Vedanta Ltd, Jindal Stainless Ltd, BALCO, TRL Ltd, Tata Steel BSL, Hindalco Industries Ltd, NALCO and Northern Coalfields, to name a few regular clients. KTL has an order book of ~Rs.690 crore as on August 31, 2020 (2.76 times of its FY20 (Prov.) revenue) that needs to be executed in the next 2-3 years. Presence of strong order book indicates healthy near to medium revenue visibility.

##### **Asset light model of operations**

KTL has a moderate fleet size of close to 70 trucks which mainly operates within the state of Odisha. It has a network of vendors in to which it outsources the out of state shipments. The asset light model helps the company to reduce its fixed costs and gives the company the flexibility to scale up or scale down its operations, in line with the economic cycles.

##### **Stable financial performance**

The financial performance of the company remained stable over the past three fiscals. However, total operating income of the company declined by ~7% from Rs.269.69 crore in FY19 to Rs.251.33 crore in FY20 (Prov.) mainly due to deterioration in tonnage handled which reduced from ~65 lakh MT in FY19 to ~57 lakh MT in FY20. However, despite moderation in total operating income the EBITDA grew by ~11% from Rs.17.69 crore to Rs.19.60 crore on the back of better cost optimisation and execution of some higher margin orders. With improvement in EBITDA, the EBITDA and PAT margin both improved from 6.56% and 1.96% respectively in FY19 to 7.80% and 2.45% respectively in FY20. KTL earned a revenue of Rs.81.35 crore in



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5MFY21 as compared to Rs.88.47 crore in 5MFY20 due to reduced economic activity in light of Covid and restriction on transportation of non-essential goods across states.

### **Key Rating Weaknesses**

#### **Susceptibility of revenues to economic slowdown and variations in trade volumes**

The performance of the road logistics segment in Odisha is largely linked to the performance of the mining sector in the state which impact the trade volumes, especially given the stiff competition amid the highly fragmented industry structure. Any slowdown in domestic mining/ industrial activities, due to weak economic conditions or restrictive trade policies, can have a negative impact on the company's revenues and its cash flows. However, its asset light model of operations mitigates the risk to some extent.

#### **Highly fragmented & competitive nature of business**

The road logistics segment is a highly fragmented and competitive sector, with presence of several unorganized and established companies in the segment, which may constrain the company's revenues and margins. However, entry barriers in the express logistics are significantly high, which limits threat of any new entrants. Given the lack of product differentiation maintaining its superior service standards and providing innovative solutions to the evolving customer requirements will be keys for KTL to expand its market position.

#### **Moderate capital structure and debt protection metrics coupled with high working capital requirement**

The overall gearing ratio of the company although improved from 1.73x in FY19 to 1.26x in FY20, continued to remain moderate. However, total indebtedness of the company as reflected by TOL/TNW remained satisfactory at 1.52x as on March 31, 2020. Debt protection metrics marked by the interest coverage ratio stood satisfactory at 2.39x in FY20 however, TD/GCA remained moderate at 5.46x in FY20. Due to high collection period and low creditor's period the requirement for working capital remains high due to which the operating cycle remained elongated at 74 days in FY20 (62 days in FY19).

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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### **Liquidity: Adequate**

The liquidity position of the company is expected to remain adequate in the near to medium term marked by expected sufficient accruals vis-a-vis debt repayment obligations. The company has earned a gross cash accrual of Rs.11.44 crore as against its debt repayment obligation of Rs.7.25 crore in FY20 (Prov.). The average CC utilization for past 12 months ending in August 2020 remained moderate at ~86% rendering adequate cushion in the working capital limits.

### **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, thereby having more than four decades of experience in the transportation business. Earlier it started moving cargo from the mining areas of Odisha State mainly for TISCO and OMC mines which were exported to foreign countries through Paradip Port. The company has entered into long term contracts with renowned companies and provide Inland rail and road logistics services throughout India.

### **Financials: Standalone**

**(Rs. Crore)**

<b>For the year ended*/ As on</b>	<b>31-03-2019</b>	<b>31-03-2020</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	269.69	251.33
EBIDTA	17.69	19.60
PAT	5.33	6.21
Total Debt	75.26	62.42
Adjusted Net worth	39.59	48.38
EBIDTA Margin (%)	6.56	7.80
PAT Margin (%)	1.96	2.45
Overall Gearing Ratio (x)	1.73	1.26

*\*as per Infomerics standards*

**Status of non-cooperation with previous CRA: NA**

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	1.75	IVR BB+/ Stable	-	-	-
2	Cash Credit	Long Term	55.00	IVR BB+/ Stable			
3	Bank Guarantee	Short-term	40.60	IVR A4	-	-	-
4	Cash Credit/ Bank Guarantee	Long/Short Term	1.00	IVR BB+/ Stable / IVR A4			
5	Proposed	Long Term	1.65	IVR BB+/ Stable			

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	March 2022	1.75	IVR BB+/ Stable
Long Term Fund Based Limits – Cash Credit	-	-	-	55.00	IVR BB+/ Stable
Short Term – Bank Guarantee	-	-	-	40.60	IVR A4
Long/Short Term – Cash Credit/Bank Guarantee	-	-	-	1.00	IVR BB+/ Stable / IVR A4
Long Term – Proposed	-	-	-	1.65	IVR BB+/ Stable