Press Release

Kalyani Transco Private Limited

September 08, 2022

Rating

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities (Proposed)	25.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	**25.00 (INR Twenty five crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kalyani Transco Private Limited derives comfort from the long-standing experience of the promoters, reputed clientele base, improved scale of operation in FY22 along with healthy profit margins supported by moderate capital structure with satisfactory debt protection metrics. Further, the ratings also considered the healthy order book position of the company indicating strong revenue visibility. These rating strengths are partially offset by susceptivity of revenue to economic slowdown leading to variation in trade volumes, highly fragmented and competitive nature of business coupled with its exposure to geographical concentration risk.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations on a sustained basis and consequent improvement in profitability.
- Improvement in the capital structure with improvement in overall gearing ratio to below 1.50x with further improvement in debt protection metrics.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Withdrawal or repayment of subordinated unsecured loan of Rs.4.28 crore and or debt laden capex leading to moderation in the capital structure with moderation in the overall gearing to over 3x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters, Mr. Tapas Ranjan Panigrahi and Mr. Manas Ranjan Panigrahi have long standing experience of nearly two decades in the logistic sector. Extensive experience of the promoters underpins the business risk profile of the company and supports it to develop established relationship with its customers. The directors are well supported by an experienced team of professionals.

- **Reputed clientele**

KTPL has a strong client profile with companies such as Vedanta Ltd, NTPC, Hindalco Industries Ltd, Orissa Transport Company (Coal), Adani Enterprises Limited to name a few regular clients.

- **Satisfactory order book position indicating strong revenue visibility**

As on July 31,2022, KTPL has an unexecuted order book of about Rs.470.71 crore, which is around 2.11 times of its FY22 revenue. The orders are expected to be executed within next one and half years indicating strong near to medium term revenue visibility.

- **Improved scale of operation with healthy profit margins**

KTPL has witnessed a significant growth in its scale of operation with operating income stood at Rs.223.35 crore in FY22 as against Rs.84.86 crore in FY21. KTPL is involved in coal transportation, and after uplifting of covid restrictions backed by the steady recovery in domestic demand of coal and power in the post lockdown scenario the operations of the company have improved steadily. KTPL has managed fright volume of around 38.40 Lakh MT in FY22, around 30% higher than FY21 which was around 29.50 Lakh MT. Owing to higher fright volume managed, profitability has improved with absolute EBITDA at Rs. 33.14 crore in FY22 as against Rs.14.97 crore in FY21.Consequently, the company has witnessed an increase in its cash accrual from Rs.10.33 crore in FY21 to Rs.24.54 crore in FY22. Both EBITDA margin and PAT margin has remained satisfactory at 14.84% and 6.80% respectively in FY22. Further, during 5MFY23, the company has achieved a revenue of ~Rs.194 crore.

- **Moderate capital structure with satisfactory debt protection matrices**

The capital structure of KTPL has remained moderate, with its moderate net worth base of Rs. 24.96 crore as on March 31, 2022, including subordinated unsecured loan from the promoters amounting Rs. 4.28 crore. The debt component in the capital structure of KTPL mainly consists of vehicle loans from multiple banks, cash credit and GECL facility. The adjusted long-term debt to equity and the adjusted overall gearing of the company has remained moderate and stood at 1.95x and 2.61x respectively as on March 31, 2022. Total indebtedness of the company as reflected by TOL/ATNW also stood moderate at 3.03x as on March 31,2022. Backed by improved absolute EBITDA, the interest coverage ratio has improved in FY22 and remained healthy at 10.29x (5.25x in FY21). Total debt to EBITDA and Total debt to GCA both improved and remained comfortable at 1.97x and 2.66 years as on March 31,2022.

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. Further, growth and development in port, rail, road infrastructure are also playing a crucial role for its business opportunities which is also dependent on various socio-political aspects and economic scenarios.

- **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 KTPL to expand its market position.

- **Exposure to geographical and client concentration risk**

The company majorly participates in tender of Odisha. Hence, scope of geographical diversification is limited. In addition, top five customers of KTPL is attributing ~77% of total sales in FY22, of which, Vedanta Ltd combined contributed ~ 51% of the same. Further, as per the current unexecuted order book of the company, majority order amounting to

Rs.338.64 crore is skewed towards Vedanta Limited which is ~70% of total order book also suggesting client concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity: Adequate

The liquidity profile of KTPL is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.32.89 crore to Rs.33.91 crore during FY23-25 vis a-vis its debt repayment obligations ranging between Rs.14.60 crore to Rs.12.81 crore during the aforesaid period. In addition, KTPL has free cash & cash equivalent amounting to Rs.6.89 Crore as on August 26, 2022. Further, comfortable operating cycle, current ratio at 1.41x as on March 31, 2022, and low average CC utilization for past 12 months ending in July 2022 at ~68%, also support its liquidity position.

About the Company

Back in 2005, Mr. Tapas Ranjan Panigrahi, had started the transportation business in name of Kalyani Transco as a proprietorship firm. After gaining rich experience in the industry supported by gradual growth in the business, Kalyani Transco Private Limited (KTPL) was incorporated on November 07, 2019, and the erstwhile proprietorship business was taken over by KTPL. KTPL started its operations from April 2020.The Odisha based transportation company is jointly promoted by Mr. Tapas Ranjan Panigrahi and Mr. Manas Ranjan Panigrahi. KTPL is a flagship company of Kalyani Group of Odisha, and it is engaged in Road Transport business of coal and aluminium ash with Vedanta Limited being its major business partner.

Financials of Kalyani Transco Private Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	84.86	223.35
EBITDA	14.97	33.14
PAT	4.85	15.19
Total Debt	34.20	65.19

Adjusted Tangible Net worth	12.35	24.96
EBITDA Margin (%)	17.64	14.84
PAT Margin (%)	5.70	6.80
Overall Gearing Ratio (x)	5.95	2.61
Interest Coverage Ratio (x)	5.25	10.29

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Proposed	Long Term	25.00	IVR BBB-; Stable	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits - Proposed	-	-	-	25.00	IVR BBB-; Stable

Annexure 2: Facility wise lender details: https://www.infomerics.com/admin/prfiles/08-09-2022-Lender-KTPL.pdf
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Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.