Kalyani Transco Private Limited

January 14, 2025

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	70.29	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Rating reaffirmed	Simple
Total	**70.29 (INR Seventy crore and twenty-nine lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Kalyani Transco Private Limited (KTPL) continues to derive comfort from its comfortable capital structure with satisfactory debt protection metrics driven by improvement in profitability in FY24 [FY refers to the period from April 1 to March 31] despite moderation in scale of operation. The rating is further supported by its experienced promoters and reputed clientele with satisfactory orderbook position. However, these rating strengths remain constrained by KTPL's exposure in subsidiaries in the form of investments and corporate guarantee and susceptibility of its revenues to economic slowdown and variations in trade volumes. Further, the rating also factors in KTP's exposure to geographical and customer concentration risk coupled with its presence in highly fragmented & competitive industry.

The stable outlook reflects expected steady business performance of the company underpinned by improved profitability leading to comfortable financial risk profile.

Key Rating Sensitivities:

Upward factors

- Substantial and sustained growth in operating income, operating margin and cash accrual
- Improvement in capital structure and/or improvement in debt protection metrics with improvement in adjusted overall gearing to below 1x and improvement in interest coverage ratio to above 6x
- Improvement in working capital management with improvement in liquidity

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis
- Any unplanned capex leading and/or significant increase in working capital borrowing leading to impairment in capital structure with moderation in adjusted overall gearing to over 2x and/or moderation in interest coverage to below 3x
- Stretch in the working capital cycle driven by stretch in receivables impacting the liquidity

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. The extensive experience of the promoter helped to develop established relationships with its customers and underpin the business risk profile of the company. The directors are well supported by an experienced team of professionals.

Reputed clientele with satisfactory orderbook position

KTPL serves many reputed companies such as Vedanta, NTPC, Hindalco Industries Ltd, to name a few. As on October 31, 2024, KTPL has an unexecuted order book of about Rs.272.34 crore which is to be executed in next 12-18 months. Further, considering the nature of work the orders are placed and executed on a recurring basis. Since the monsoon is now well over, with mining activities in full flow, KTPL is expecting healthy order flow in the latter half of the fiscal year.

Improvement in profit margins despite moderation in scale of operation

Driven by the intention to scale up the operation, KTPL had executed multiple low margin contracts in FY23 which in turn had boosted the topline to Rs.450.94 crore in FY23 compared to Rs. 223.35 crore in FY22. However, during FY24, KTPL management executed only the high value contacts and has managed less fright volume of 39.86 Lakhs MT as compared to 67.08 Lakh MT in FY23 leading to a moderation in topline to Rs.243.37 crore in FY24. Despite the dip in topline, driven by the effective cost management by reducing the market fleet (leased) and increasing the owned fleet size, coupled with the execution of only high value contacts, KTPL has registered better operating margin of 15.78% in FY24 against 13.41% in FY23. Owing to lower absolute EBITDA in FY24, the PAT has moderated in FY24. However, the PAT margin has improved to 8.77% in FY24 as compared to 6.52% in FY23. GCA in FY24 stood at Rs.31.63 crore and was sufficient to serve the scheduled debt repayment obligation of Rs.11.35 crore. In the present fiscal, in H1FY25, KTPL has churned out revenue of ~Rs.79.00 crore with better operating margin.

Comfortable capital structure with satisfactory debt protection matrices

The capital structure of KTPL has remained satisfactory as on March 31, 2024, with its comfortable net worth base of Rs. 65.00 crore (after adjusting the investment in its wholly owned subsidiaries and long pending receivable amounting to Rs.3.80 crore and Rs.2.15 crore respectively). The debt component of KTPL mainly consists of vehicle loans from multiple banks, cash credit and GECL facility. Further, driven by lower utilisation of working capital borrowings, gradual repayments of vehicle loans coupled with steady accretion of profit to reserve, both adjusted long-term debt to equity and overall gearing of the company has improved and remained satisfactory at 0.47x and 0.57x respectively as on March 31, 2024, against 0.82x and 1.74x respectively as on March 31, 2023. Total indebtedness of the company as reflected by TOL/ATNW also improved and stood comfortable at 0.71x as on March 31,2024 against 1.80x as on March 31,2023. Owing to moderation in absolute EBITDA, debt protection metrics marked by the interest coverage ratio though moderated yet remains satisfactory at 5.85x in FY24 (10.30x in FY23). Total debt to EBITDA and Total debt to GCA both improved and remained comfortable at 0.96x and 1.17 years respectively as on March 31, 2024.

Key Rating Weaknesses:

Exposure in subsidiaries

As on March 31, 2024, KTPL has investment exposure in its subsidiary companies amounting to Rs.3.80 crore. To scale up the operation in UAE, the management has invested further funds which has led to an increase in investment exposure to ~Rs.25 crore in FY25. Further, KTPL has extended the corporate guarantee to one of its subsidiaries, namely Kalyani Logistic Private Limited to the tune of Rs.48.00 crore. The corporate guaranteed exposure restricts the credit risk profile of KTPL to some extent. However, including the said corporate guaranteed debt, the overall gearing and TOL/ATNW continue to remain comfortable at 1.31x and at 1.45x respectively as on March 31, 2024. The performance of the subsidiaries is the key rating monitorable going forward.

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 impacts 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 flow. 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 the presence of several unorganized and established companies in the segment, which may constrain the company's revenues and margins. However, entry barriers in express logistics are significantly high, which limits the 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 key for KTPL to expand its market position.

Exposure to geographical and client concentration risk

The company majorly participates in tenders of Orisha. Hence, the scope of geographical diversification is limited. In addition, the top five customers of KTPL have attributed ~79% of total sales in FY24. Of which, Vedanta contributed around ~52% of the same suggesting client concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Criteria of assigning Rating Outlook

Policy on Default Recognition and Post-Default Curing Period

Financial Ratios & Interpretation (Non-Financial Sector)

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The liquidity profile of KTPL is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.33 crore to Rs.38 crore vis-a-vis its debt repayment obligations ranging between Rs.12 crore to Rs.7.25 crore during FY25-FY27. Further, KTPL has healthy current ratio at 2.38 as on March 31, 2024, along with moderate operating cycle.

Moreover, the average CC utilization for past 12 months ending in October 2024 also remained satisfactory at ~43%, indicating adequate liquidity buffer.

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. Presently, KTPL has two fully owned wholly owned subsidiaries. One Indian subsidiary namely Kalyani Logistic Private Limited, and one UAE based foreign subsidiary namely Kaltech Ventures General Trading LLC which was incorporated on 17th August 2023. Further, Kaltech Ventures General Trading LLC has one UAE based wholly owned subsidiary namely Kaltech Logistic LLC incorporated on 8th January 2024.

Financials of Kalyani Transco Private Limited: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	450.94	243.37
EBITDA	60.46	38.41
PAT	29.40	21.92
Total Debt	77.26	36.97
Tangible Net worth (Book)	49.55	70.95
Tangible Net worth (Adjusted)	44.30	65.00
EBITDA Margin (%)	13.41	15.78
PAT Margin (%)	6.52	8.77
Overall Gearing Ratio (x) (Adjusted)	1.74	0.57
Interest Coverage	10.30	5.85

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Nov 20, 2023	Feb 03, 2023	Sep 08, 2022	-
1.	GECL	Long Term	2.79	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit	Long Term	67.50	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-

Analytical Contacts:

Name: Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
GECL	-	-	Mar 2027	2.79	IVR BBB/ Stable
Cash Credit	-	-	-	67.50	IVR BBB/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Kalyani-jan25.pdf
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Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: 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