

## Chaudhary Transport Company

August 02, 2022

### Rating

| Facilities/Instruments       | Amount<br>(₹ crore)                          | Rating <sup>1</sup>   | Rating Action                                   |
|------------------------------|--|---|---|
| Long Term Bank Facilities    | 11.00  | CARE BB; Stable;<br>ISSUER NOT COOPERATING*<br>(Double B; Outlook: Stable<br>ISSUER NOT COOPERATING*) | Rating moved to ISSUER NOT COOPERATING category |
| <b>Total Bank Facilities</b> | <b>11.00</b><br><b>(₹ Eleven Crore Only)</b> |   |   |

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

Chaudhary Transport Company (CTC) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines the rating of CTC's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING\***

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating).

The rating assigned to bank facilities of Chaudhary Transport Company (CTC) continue to remain constrained by competitive and fragmented nature of the freight logistics industry coupled with risk of operating as proprietorship firm, exposure to tender-driven nature of business with intense competition and high debt repayments. Although, the ratings, continue to derive comfort from experienced management, widespread distribution network along with long term association with reputed clients and moderate financial risk profile.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations as marked by total operating income of above Rs. 120.00 crore on sustained basis.
- Improvement in coverage indicators as marked by an interest coverage above 7.00x.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in profitability margins as marked by PBILDT and PAT margin below 25.00% and 2.50% respectively.

### Detailed description of the key rating drivers

#### Key rating weaknesses

#### Competitive and fragmented nature of the freight logistics industry

Around 80-85% of the road transport industry consists of small transport operators that own less than five trucks, are fragmented and unorganized. The highly fragmented and unorganized nature of the industry results in intense price competition and may lead to pressure on the firm's profitability in case of adverse situations. Further, operations are dependent on the overall economic condition of the country. Although the firm is mainly engaged in transportation of CNG, in which contract are awarded through tender, which reduces the competition to certain extent.

#### Risk of the entity being a Proprietorship firm

CTC, being a proprietorship firm, is exposed to inherent risk of unlimited personal liability and firm being dissolved upon the death & insolvency of proprietor thereby leading to put pressure on financial flexibility of the firm.

#### Exposure to tender-driven nature of business with intense competition faced by the firm

CTC's business is tender based which is characterized by intense competition resulting into moderate operating margins for the firm. The growth of business depends entirely upon the firm's ability to successfully bid for tenders and emerge as the lowest bidder. However, the firm's existing execution capabilities provide some degree of comfort in this regard. Also, most of the firm's contracts are short term in nature ranging from 1 to 2 years, which further exposes the firm to continuously bid for new contracts.

#### High debt repayment

The total debt of the firm increased from Rs.61.10 crore as on March 31, 2021, to Rs.85.93 crore as on March 31, 2022, as the firm has taken additional loans for the purchase of vehicles. The firm has regular requirement of loan for new vehicles depending on the new contract and scrap of old vehicles. Firm has repayment of around Rs. 1.50 per month on vehicle loans. /The high repayment put regular pressure on firm cash flow and stretch the liquidity position of the firm. Although, firm is generating decent cash accruals of Rs. 25.55 crores but due to continuous requirement for purchase of new vehicles and repayment thereon put an extensive pressure on liquidity of firm.

<sup>1</sup>Complete definition of the ratings assigned are available at [HYPERLINK "http://www.careedge.in"](http://www.careedge.in) [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Key rating strengths****Experienced Management**

CTC is a proprietorship concern. The firm is well established in the field of CNG transportation since inception. It is managed by Mr. Vijender Singh Chaudhary. He is graduate by qualification and having experience of more than four decade in this transportation network. He looks after the overall operations of the firm. He has been associated with this firm since its inception.

**Widespread distribution network**

CTC's business risk profile continues to be supported by widespread distribution network. Firm is predominantly covering entire India and are fully equipped with equipment's. CTC is engaged in CNG transportation for Indraprastha Gas Limited (IGL), Bhagyanagar Gas Limited (BGL), Maharashtra Natural Gas Limited (MNGL), Mahanagar Gas Limited (MGL), Gujarat State Petroleum Corporation (GSPC), Avantika Gas Limited (AGL), Central UP Gas Limited (CUGL), GAIL gas (Meerut, Goa, Bhubaneswar, Yamunagar, Saharanpur etc.) in approx. 28 cities in India

**Moderate Financial Risk profile**

CTC's scale of operations remained modest as marked by total revenue from operations of Rs. 90.74 crore during FY22 as compared to total operating income of Rs. 80.63 crores during FY21 which shows growth of 12.54%. The interest coverage was slightly improved during FY22 and remains at 5.12x (PY: 4.36x) on account of higher PBILDT due to increase in scale of operations. However, the capital structure was slightly deteriorated during FY22 as marked by overall gearing ratio of 6.27x as on the balance sheet date of FY22 as compared to 4.78x as on the balance sheet date of FY21. The deterioration was mainly due to purchase of new vehicles mainly funded through debts. Also, firm has high repayments of around Rs. 1.50 crores every month.

**Long term association with reputed clients**

Firm provides diversified solutions, its customer profile includes reputed clients such as GAIL India Ltd., Indraprastha Gas Ltd., ONGC, BHEL, Gujrat Gas Ltd., Reliance Industries, Essar Oil Ltd., Cairn Energy India Ltd., and many more. Firm has been able to get repeated orders from its clients as well as reputed client base assures timely payment. Also, all of the contract has escalation clause for the fuel cost and in case of change in fuel cost by 5% (both ways up and down).

**Liquidity: Stretched**

The liquidity position of the firm stands stretched characterized by high repayment obligations during FY23 which will be paid through proposed gross cash accruals of around 27-28 crores. The gross cash accruals (GCA) of firm improved during FY22 at Rs. 25.55 crores as compared to Rs. 21.17 crores during FY21.

**Analytical approach: Standalone****Applicable criteria**

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

**About the company**

Chaudhary Transport Company was established in 1975. CTC is engaged into CNG transportation for Indraprastha Gas Limited (IGL), Bhagyanagar Gas Limited (BGL), Maharashtra Natural Gas Limited (MNGL), Mahanagar Gas Limited (MGL), Gujarat State Petroleum Corporation (GSPC), Avantika Gas Limited (AGL), Central UP Gas Limited (CUGL), GAIL gas (Meerut, Goa, Bhubaneswar, Yamunagar, Saharanpur etc.) approx immediately 28 cities in India and expended 300 vehicles approx on Pan India bases. CTC is also engaged into transportation of heavy goods, ODC (Over dimension consignments) consignment, oil rigs etc. on Pan India bases. Company's fleet consists of more than 60 nos. of cranes ranging from 25 tonnes to 250 tonnes capacity, Forklifts upto 20 Mts capacity, Hydras, Heavy Trailers & other vehicles of various dimension and tonnage is more than 450.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (P) | June 30, 2022 (P) |
|----------------------------|--------------------|--------------------|-------------------|
| Total operating income     | 80.63              | 90.74              | NA                |
| PBILDT                     | 26.94              | 31.27              | NA                |
| PAT                        | 2.75               | 2.92               | NA                |
| Overall gearing (times)    | 4.76               | 6.23               | NA                |
| Interest coverage (times)  | 4.36               | 5.12               | NA                |

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

| Name of the Instrument             | ISIN | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|------------------------------------|------|------------------|-------------|---------------|-----------------------------|---|
| Fund-based - LT-Term Loan          |      | -                | -           | FY25          | 2.00                        | CARE BB; Stable; ISSUER NOT COOPERATING*  |
| Non-fund-based - LT-Bank Guarantee |      | -                | -           | -             | 9.00                        | CARE BB; Stable; ISSUER NOT COOPERATING*  |

#### Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |  | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|--|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating                                   | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1       | Fund-based - LT-Term Loan              | LT              | 2.00                         | CARE BB; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE BB; Stable (16-Jun-21)               | -   | -   |
| 2       | Non-fund-based - LT-Bank Guarantee     | LT              | 9.00                         | CARE BB; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE BB; Stable (16-Jun-21)               | -   | -   |

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of various instruments rated for this company**

| Sr. No. | Name of Instrument                 | Complexity Level |
|---------|------------------------------------|------------------|
| 1       | Fund-based - LT-Term Loan          | Simple           |
| 2       | Non-fund-based - LT-Bank Guarantee | Simple           |

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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