

## Deneb And Pollux Tours and Travels Private Limited

May 17, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	1.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable / CARE A4+; (Double B Plus ; Outlook: Stable / A Four Plus)
<b>Total Bank Facilities</b>	<b>11.50</b> <b>(Rs. Eleven</b> <b>Creore and Fifty</b> <b>Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Deneb and Pollux Tours and Travels Private Limited (DNP) to monitor the rating vide e-mail communications dated May 06, 2022 and May 03, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on Deneb and Pollux Tours and Travels Private Limited's bank facilities will now be denoted as **CARE B+; Stable/ CARE A4 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 ratings have been revised on account of non-availability of requisite information and no due-diligence conducted due to non-cooperation by Deneb and Pollux Tours and Travels Private Limited with CARE'S efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings consider the constraint relating to company's reduced scale of operations and presence in a competitive industry leading to pressure on pricing. The ratings further remain constrained due to company's weak financial risk profile as reflected by negative profitability margins & deteriorated coverage indicators and elongated operating cycle. The ratings, however, continues to take comfort from experienced management, long track record of operations, long-standing association with reputed customers and moderate capital structure.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Reduced scale of operations:

The scale of operations has reduced drastically due to COVID19 impact on tourism sector as marked by total operating income and gross cash accruals of Rs.30.27 crore and Rs.3.22 crores during FY21 as against Rs.111.41 crore and Rs.10.30 crore respectively during FY20. Furthermore, the company's net worth base continues to remain relatively modest at Rs.35.12 crore as on March 31, 2021. The reduced scale limits the company's financial flexibility in times of stress and deprives it of scale benefits.

##### Competitive nature of industry:

DNP's business risk profile is exposed to competition due to presence of organized and unorganized cab service providers such as United Facilities, Ola Cabs, Uber India, Meru Cab, Easy Cabs, Mega Cabs who are offering similar services. Besides, there is limited entry and exit barriers which further spur the competition among the operators. The company's scale of operations as well as profitability has been drastically impacted due to COVID19 disruptions on tourism sector and also Work from Home (WFH) model has resulted in reduction of cab service for corporate and working-class customer segment.

##### Negative profitability margin and deteriorated debt coverage indicators:

The company's profitability margins have eroded during FY21 as marked by PBILDT and PAT margin of 17.77% and -11.30% respectively in FY21 as against 11.73% and 2.14% respectively in FY20, the reductions in PAT margins is primarily due to

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

COVID19 disruptions, increasing competition, increased interest cost during FY21 and moderate depreciation on the assets. Owing to negative profitability levels, the debt protection metrics have deteriorated as evident from interest coverage ratio of 2.16 times in FY21 as against 6.54 times in FY20 and total debt to GCA of 8.47 times as on March 31, 2021 as against 3.18 times as on March 31, 2020. This has resulted in overall weaker financial profile of the company.

### **Elongated operating cycle**

The operating cycle of the company stands elongated at 87 days for FY21 increasing from 44 days for FY20. The stretched operating cycle resulted from increased collection period of 157 days in FY21 as against 68 days for FY20. The company raises invoices at the end of every month, which gets cleared by its customers in 120-180 days due to disruption caused by COVID19, resulting in higher collection period. Furthermore, in order to ensure the fleet operational, company has to keep maintenance inventory e.g. spare parts and tires etc. for around a week. Company gets credit period from its supplier's maximum up to a month.

### **Key Rating Strengths**

#### **Experienced promoters and long track record of operations of the company:**

DNP is currently being managed by Mr. Madan Mohan Yadav, Mr. Krishan Mohan Yadav, Mr. Kanwar Singh Yadav and Mr. Harsh Wardhan. Mr. Madan Mohan Yadav takes care of the overall management of the company. Mr. Krishna Mohan Yadav looks after the human resources of the company and Mr. Kanwar Singh Yadav handles the repair, maintenance and insurance of the fleet of the company. In addition, Mr Harsh Wardhan supports in the overall operations of the company. All of them are managing the company's operations in the capacity of directors. Each of them has an experience of more than two decade in transportation service industry through their association with DNP and through another concern which is also engaged in service industry. The company has a workforce of over 20 professionally qualified personnel including chartered accountants, MBA's, engineers and industry specialists. DNP has been operational for around two decades, which has enabled the company to establish relationship with its suppliers and customers. Furthermore, company has group associates named as Deneb & Pollux Hospitality Private Limited (DPHPL) and Deneb & Pollux Engineering and Restoration Private Limited (DPERPL), who are engaged in the hospitality business and restoration of vintage cars respectively.

#### **Long standing association with reputed customers:**

DNP's is engaged in renting cars to corporate clients operating in domestic market. Since inception of the company DNP has developed a long-standing relationship with reputed customer on the back of rendering transportation services to corporate clients for picking up and dropping off employees in Delhi-NCR region and other metropolitan cities, with whom the company is associated for around a decade. The healthy association with the customers helps the company to get renewal of contracts on annual basis.

#### **Moderate capital structure**

The capital structure has weakened as marked by debt equity and overall gearing ratio that stood at 0.72 times and 0.78 times respectively as on March 31, 2021 as against 0.56 times and 0.85 times respectively as on March 31, 2020. Despite of COVID19 disruptions and negative profitability, the improvement in the capital structure was on account of repayment of term loan coupled with reduction in working capital borrowings during FY21.

#### **Liquidity: Strong**

Liquidity is marked strong by accruals of Rs.3.22 crore in FY21 against repayment obligation of Rs.1.52 crore during FY21. With a gearing of 0.78 times as of March 31, 2021, the issuer has sufficient gearing headroom, to raise additional debt for its capex and working capital requirements. The current ratio and quick ratio stood at 3.02x and 2.99x as on March 31, 2021 as against 1.84x and 1.82x as on March 31, 2020 primarily due to reduction in working capital borrowings and creditors.

#### **Analytical approach:** Standalone

#### **Applicable Criteria**

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

#### **About the Company**

Gurgaon (Haryana) based Deneb & Pollux Tour and Travels Private Limited (DNP) was incorporated in 2000 by Mohan family. Company is engaged in renting cars to corporate clients operating in domestic market. DNP routine operations are managed by Mr. Mohan Madan and Mr. Krishan Madan. The company has increased its fleet from 1150 to 1379 own vehicles and around 2121 vehicles (increased from 1850) source from market on lease/rent (as per requirement). The company has launched an application DENEb for real time tracking of the vehicles in January, 2019.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (P)
Total operating income	111.41	30.27	NA
PBILDT	13.07	5.38	NA
PAT	2.38	-3.42	NA
Overall gearing (times)	0.85	0.78	NA
Interest coverage (times)	6.54	2.16	NA

A: Audited, P: Provisional

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

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Mar-21)	1)CARE BBB-; Stable (30-Dec-19) 2)CARE BBB-; Stable (04-Apr-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	1.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (01-Mar-21)	1)CARE BBB-; Stable / CARE A3 (30-Dec-19) 2)CARE BBB-; Stable / CARE A3 (04-Apr-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / 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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-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 instrument:** CARE Ratings Ltd. 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.

## Contact us

**Media Contact**

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

**Analyst Contact**

Name: Amit Jindal

Contact no.: 9873003949

Email ID: [amit.jindal@careedge.in](mailto:amit.jindal@careedge.in)

**Relationship Contact**

Name: Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: [swati.agrawal@careedge.in](mailto:swati.agrawal@careedge.in)

**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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