

## TCI -Concor Multimodal Solutions Private Limited

April 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	33.00	CARE A-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	17.00	CARE A-; Stable/ CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1

### Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of TCI-CONCOR Multimodal Solutions Private Limited (TCI-CONCOR) continue to factor in its strong and experienced Joint Venture (JV) partners viz. Transport Corporation of India Limited (TCI) and Container Corporation of India Limited (CONCOR), as well as benefit derived from integrated operations with its JV partners. The ratings also continue to take into account TCI-CONCOR's long track record in logistics operations, its established relationship with its clients and moderate capital structure and debt coverage indicators.

The ratings are, however, constrained by modest scale of operations with thin profitability, competition in the logistics sector and sensitivity of the rail and road transport industry to the overall general economic conditions.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Ability of the company to significantly scale-up its operations.
- Improvement in the PBILDT margin to around 5% on a sustained basis.

#### Negative Factors

- Any sizeable capex undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 2.0x.
- Any increase in the collection period leading to elongation in the operating cycle of more than 90 days on a sustained basis.

**Analytical approach:** Standalone along with factoring the strong parentage, operational synergies and brand name of the promoter companies, i.e., TCI and CONCOR.

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that TCI-CONCOR shall continue to benefit from its long and established track record in logistics business and continued support from its JV partners.

#### Key Strengths

**Experienced and established promoters with long track record of operations:** TCI-CONCOR is a Joint venture between TCI (51% equity stake) and CONCOR (49%). TCI is engaged in Multi-Modal Transportation & Supply Chain Solutions provider and CONCOR is the container transportation provider by rail mode. With this partnership, the JV Company i.e. TCI-CONCOR is enjoying the capability of ensuring seamless movement of goods through a combination of rail-road modes. The board of directors of the company consists of 6 members with each member having relevant experience in business functions like finance, marketing, production, technology etc. They are ably supported by an experienced and professional management team, which aids in smooth operations of the company.

**Integrated operations with JV partners:** TCI-CONCOR is one of India's leading logistics and supply chain solutions company with an experience of more than 10+ years in Multimodal Road- Rail logistics. It offers a reliable, efficient, cost effective and customized solutions to its customers. Rail is the backbone of TCI-CONCOR's transportation plans and strategy. TCI is the leading integrated logistics player in India with more than 1,000 branches, handling of more than 12,000 trucks per day and 13 million Sq. ft. of warehousing and yard space. Furthermore, with the effect of partnership with CONCOR, TCI-CONCOR has also access to extensive network of CONCOR viz. 61 ICDs, ~16,659 wagons and 37,431 Containers (as on 31-03-2022). Thus, TCI-CONCOR has an asset light model, whereby it uses the huge asset base and established infrastructure and network of its promoters in order to timely execute the client orders.

<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

**Established relationship with clients:** TCI-CONCOR has established strong relationships with several reputed customers across varied industries such as Chemicals, Metal & Alloys, Cosmetics, ceramic, FMCG leveraging the strong and widespread customer base of its promoter companies. Company currently has an order book position of ~ Rs.200 crore from existing business and potential new business which provides revenue visibility in near term.

**Moderate capital structure and debt coverage indicators:** The capital structure of TCI-CONCOR remained moderately leveraged, with the overall gearing improved to 0.89 times as on March 31, 2022. The company has planned to avail debt for purchase of 1 reach stacker each of Rs.2.50 crore over FY24-FY25 and 10 trucks of Rs.0.27 crore each amounting to Rs.2.70 crore per annum over FY24-FY25. Despite expected drawl of the debt, the capital structure is expected to remain moderate over the medium term.

Debt coverage indicators of the company also remain modest marked by PBILDT interest coverage and total debt to PBILDT of 7.56x and 2.23 years during FY22. Despite working capital intensive nature of operations and its higher reliance on working capital borrowings, the debt coverage indicators of the company are expected to remain moderate over FY23-FY25 supported by steady profitability.

**Working capital intensive operations albeit efficient management of operating cycle:** The operations of the company remained working capital intensive marked by net working capital (NWC)/ total capital employed stood at 94% in FY22. However, the operating cycle of the company remained lean at 29 days in FY22. Basis arrangements, TCI-CONCOR provides a credit period of up to 60 days to its clients. Whereas payments are made within 20 days to its suppliers. Due to the nature of business the company does not maintain any inventory. The company has been making efforts towards accelerated debtor recovery from customers by making them pay an upfront advance payment resulting in shortening of the operating cycle over the years. However, the working capital cycle has marginally deteriorated to 29 days in FY22 as compared to 20 days in FY21 primarily due to the increase in the collection period to 51 days in FY22 as compared to 37 days in FY21. It is noted that, the receivable in absolute value stood at Rs.42.60 crore as on March 31, 2022 as compared to Rs.43.22 crore as on March 31, 2021. Further there was no bad debt in last one year ended FY22. Further, the company derived majority of its revenue from reputed clients which have superior creditworthiness.

#### **Liquidity:** Adequate

The company is expected to generate gross cash accruals of Rs.6-7 crore per annum over FY23-FY24 as against it has a relatively low repayment obligation of Rs.0.54 crore in FY23 and Rs.1.67 crore in FY24. The company has strong current ratio of 1.51x as on March 31, 2022. However, the operations of the company remain working capital intensive and its reliance on working capital borrowings remains high. The average fund based working capital limit utilization of the company stood high at 96% for the twelve months ending January 2023. The average monthly non-fund-based working capital limit utilisation stood at 83% for twelve months up to January 2023. Nonetheless, strong and resourceful parentage provide the financial flexibility to the company.

#### **Key Weaknesses**

**Modest scale of operations with thin profitability margin:** The scale of operations of TCI-CONCOR continues to remain modest as compared to the other established multi-modal logistics service providers. During FY22, the total operating income (TOI) witnessed a decline of 7% to Rs.301 crore over FY21. However, it grew marginally by 3% in 9MFY23 on y-o-y basis supported by increased volumes. The customer base of TCI-CONCOR is also moderately concentrated with the top 5 customers contributing 43.44% of the total revenue for TCI-CONCOR in FY22. The PBILDT margin stood thin at 2.95% in FY22 and 2.84% in 9MFY23. PBILDT margins are expected to remain at around 3% in FY23-FY25.

**Susceptibility of profitability margins to economic and trade cycle:** Logistics operations are dependent on the overall economic condition of the country. Higher economic activity translates into higher freight movement which drives demand for road and rail freight transport industry. However, TCI-CONCOR's major exposure is to sectors like Minerals & Alloys and Chemicals and increased efforts to add new clients and diversify its customer portfolio across various industries partially mitigate risk arising from inherent cyclicity in logistics sector on account of stable demand from these sectors.

**Competitive nature of transportation and logistics industry:** The logistics industry in India is highly fragmented with a large number of unorganized players specially in road transportation. Although, company largely operates in rail transport segment where it faces competition from the other large and organised private players. Rail transport business is fairly organised compared to road transport. Some of these players have set up their own terminal facilities and have seen an increase in volume. The fragmented nature of the industry results in intense price competition and restricts the profitability of industry players. TCI and CONCOR with their market presence would enjoy competitive edge and should be able to garner more business.

## Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Nonfinancial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Policy on Withdrawal of Ratings](#)

[Service Sector Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

## About the company and industry

### Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

Incorporated in 2010, TCI-CONCOR is a 51:49 JV of TCI and CONCOR. CONCOR is engaged in the transportation of containers by rail mode and TCI is engaged in multi-modal transportation and supply chain solutions provider. With this partnership, the JV Company i.e. TCI-CONCOR is capable of movement of goods through a combination of rail-road modes. Leveraging the vast client network and huge infrastructure base of the promoters, TCI-CONCOR provides efficient and cost effective multimodal Road-Rail Services, catering to all logistics needs of the clients for any type of cargo. The key services offered by TCI-CONCOR are Full Rake and Piece Meal Container Movement, First & Last Mile Road Transportation, Terminal Management and Customized Container Service.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	9MFY23 (UA)
Total operating income	324.06	301.00	225.10
PBILDT	10.50	8.88	6.40
PAT	6.70	5.60	3.76
Overall gearing (times)	0.99	0.89	0.91
Interest coverage (times)	8.13	7.46	5.51

A: Audited; UA: Unaudited; Financials are reclassified as per CARE Ratings' standards.

Note: 'the above results are latest financial results 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 the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	21.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	-	October 2027 ^	12.00	CARE A-; Stable
Non-fund-based - LT/ST-BG/LC	-	-	-	-	17.00	CARE A-; Stable / CARE A2+

^ Maturity date is for outstanding term debt of Rs.2.58 crore and July 2025 for term debt outstanding of Rs.0.92 crore as on December 31, 2022; remaining Rs.8.50 crore is proposed term loan

**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-Cash Credit	LT	21.00	CARE A-; Stable	1)CARE A-; Stable (19-May-22) 2)CARE A-; Stable (06-Apr-22)	-	1)CARE A-; Stable (07-Jan-21)	1)CARE A-; Stable (02-Jan-20)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	17.00	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (19-May-22) 2)CARE A-; Stable / CARE A2+ (06-Apr-22)	-	1)CARE A-; Stable / CARE A2+ (07-Jan-21)	1)CARE A-; Stable / CARE A2+ (02-Jan-20)
3	Fund-based - LT-Term Loan	LT	12.00	CARE A-; Stable	1)CARE A-; Stable (19-May-22) 2)CARE A-; Stable (06-Apr-22)	-	1)CARE A-; Stable (07-Jan-21)	1)CARE A-; Stable (02-Jan-20)

\*Long term/Short term.

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

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

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

**Note on the 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.

**Contact us**

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Dinesh Sharma Director <b>CARE Ratings Limited</b> Phone: +91-11-4533 3200 E-mail: <a href="mailto:dinesh.sharma@careedge.in">dinesh.sharma@careedge.in</a></p>	<p><b>Analytical Contact</b></p> <p>Name: Hardik Shah Director <b>CARE Ratings Limited</b> Phone: +91-79-4026 5620 E-mail: <a href="mailto:hardik.shah@careedge.in">hardik.shah@careedge.in</a></p> <p>Name: Krunal Modi Director <b>CARE Ratings Limited</b> Phone: +91-79-4026 5620 E-mail: <a href="mailto:krunal.modi@careedge.in">krunal.modi@careedge.in</a></p> <p>Name: Karan Ahluwalia Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Karan.Ahluwalia@careedge.in">Karan.Ahluwalia@careedge.in</a></p>
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