

## TCI-CONCOR Multimodal Solutions Private Limited

April 04, 2024

| 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 and 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 continue to take into account the established relationship of TCI-CONCOR with its clients by virtue of long track record of operations in logistics sector. The ratings also take cognisance of improved capital structure and debt-coverage indicators of TCI-CONCOR and efficient management of working capital cycle which is expected to sustain in the medium term.

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 more than 5% on a sustained basis

#### Negative factors

- Any sizeable capex undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 1.0x.
- 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 while factoring 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.

### Detailed description of the key rating drivers:

#### 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, equally appointed by both JV partners and each director has 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 around 900 branches, handling of around 10,000 trucks per day and 14 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, 16,731 wagons and 37,074 Containers as on March 31, 2023. 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 albeit concentration risk**

TCI-CONCOR has established strong relationships with several reputed customers across varied industries such as food grains, Chemicals, Metal & Alloys, Cosmetics, Ceramics, FMCG leveraging the strong and widespread customer base of its promoter companies. During FY23, the top 5 customers contributed 42.61% of the total revenue of TCI-CONCOR as compared to the 43.44% for FY22 which depicts a concentration risk. Any change in the logistics policy of these customers would have a bearing on the cashflows of the company. Nonetheless, the risk is mitigated owing to reputed nature of these customers as well as long-term relationship of TCI-CONCOR with its clients. Further, the company has also entered into contracts for an average tenor of 2-3 years with majority of its customers which provides good revenue visibility in the medium term.

**Improved capital structure and comfortable debt coverage indicators during FY23**

The capital structure of TCI-CONCOR has improved, marked by overall gearing augmented to 0.27 times (PY: 0.89 times) as on March 31, 2023, on account of lower utilisation of working capital borrowings.

Debt coverage indicators of the company also remain comfortable marked by PBILDT interest coverage and Total Debt/ PBILDT stood at 5.63x and 0.84x during FY23 (PV: 7.04X and 2.21X respectively). Despite working capital intensive nature of operations, the debt coverage indicators of the company is expected to remain comfortable in the medium term.

During FY24, the company has availed around Rs. 7.16 crores of term loan for the purchase of 15 trucks, 13 trailers and 1 forklift truck due to which the capital structure is expected to moderate in the current year. Going forward, the company will avail debt for purchase of 1 reach stacker each of Rs. 2.50 crore and 10 trucks each in FY25 and FY26 respectively which has a per unit cost of ~Rs. 0.30 crore. Despite expected drawl of the debt, the capital structure is expected to remain comfortable marked by an overall gearing at below 0.5x in the medium term.

**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 68% in FY23. However, the operating cycle of the company remained lean at 27 days in FY23. Basis arrangements, TCI-CONCOR provides a credit period of up to 30-45 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. The working capital cycle has marginally improved to 27 days in FY23 as compared to 29 days in FY22 primarily due to improvement in collection period to 46 days in FY23 as compared to 51 days in FY22. There was no bad debt in last two years ended FY23. Further, the company derived majority of its revenue from reputed clients which have superior creditworthiness.

**Liquidity: Adequate**

The company has adequate liquidity marked by current ratio of 2.40x in FY23. Further, the company is expected to generate gross cash accruals of Rs.7-10 crore per annum over FY24-FY25 as against it has a relatively low repayment obligation of Rs.1.84 crore in FY24 and Rs.2.92 crore in FY25.

The working capital cycle of the company has improved during FY23 to 27 days from 29 days in FY22. The average fund based working capital limit utilization of the company stood moderate at ~ 35% for the twelve months ended January 2024. The average monthly non-fund-based working capital limit utilisation level stood at 79% for twelve months up to January 2024. Further, strong and resourceful parentage provide the financial flexibility to the company.

**Key weaknesses****Modest scale of operations with thin profitability margin**

The total operating income (TOI) of the company continued to be modest and remained stable at Rs.304.04 crore during FY23 (PY: Rs.301.00 crore). The profitability margins of the company have remained muted historically on account of lower bargaining power against reputed customers. PBILDT margin in FY23 stood largely thin albeit stable at 2.84% as against to 2.98% in FY22 primarily on account of increase in rail freight expenses.

During 9MFY24, TOI stood modest at Rs.238.71 crore as compared to Rs.225.10 crore during 9MFY23 mainly due to improved realisations in the sector. TOI of the company expected to remain in range of Rs.320-350 crore during FY24. The PBILDT margin of the company continued to remain thin at 2.79% during 9MFY24. Further, the PBILDT margin is expected to remain stable at around 3% over FY24-FY26.

**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 food grains, 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 cyclicality 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, enjoys competitive edge and should be able to garner more business going forward.

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### 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) | FY22 (A) | FY23 (A) | 9MFY24 (UA) |
|----------------------------|----------|----------|-------------|
| Total operating income     | 301.00   | 304.04   | 238.71      |
| PBILDT                     | 8.96     | 8.63     | 6.66        |
| PAT                        | 5.61     | 5.49     | 4.00        |
| Overall gearing (times)    | 0.89     | 0.27     | NA          |
| Interest coverage (times)  | 7.04     | 5.63     | 9.71        |

A: Audited UA: Unaudited NA: Not Available; 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 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:** 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     |      | -                             | -               | Nov 2028                   | 12.00                       | CARE A-; Stable                           |
| Non-fund-based - LT/ ST-BG/LC |      | -                             | -               | -                          | 17.00                       | CARE A-; Stable / CARE A2+                |

**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 2023-2024 | 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 |
| 1       | Fund-based - LT-Cash Credit            | LT              | 21.00                        | CARE A-; Stable            | 1)CARE A-; Stable (06-Apr-23)               | 1)CARE A-; Stable (19-May-22)<br>2)CARE A-; Stable (06-Apr-22)                       | -                                           | 1)CARE A-; Stable (07-Jan-21)               |
| 2       | Non-fund-based - LT/ ST-BG/LC          | LT/ST           | 17.00                        | CARE A-; Stable / CARE A2+ | 1)CARE A-; Stable / CARE A2+ (06-Apr-23)    | 1)CARE A-; Stable / CARE A2+ (19-May-22)<br>2)CARE A-; Stable / CARE A2+ (06-Apr-22) | -                                           | 1)CARE A-; Stable / CARE A2+ (07-Jan-21)    |
| 3       | Fund-based - LT-Term Loan              | LT              | 12.00                        | CARE A-; Stable            | 1)CARE A-; Stable (06-Apr-23)               | 1)CARE A-; Stable (19-May-22)<br>2)CARE A-; Stable (06-Apr-22)                       | -                                           | 1)CARE A-; Stable (07-Jan-21)               |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of 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

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| <p><b>Media Contact</b></p> <p>Mradul Mishra<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-22-6754 3596<br/>E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy<br/>Senior Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-22-6754 3404<br/>E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p> | <p><b>Analytical Contacts</b></p> <p>Hardik Manharbhai Shah<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-22-6754 3591<br/>E-mail: <a href="mailto:hardik.shah@careedge.in">hardik.shah@careedge.in</a></p> <p>Akhil Kumar<br/>Associate Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-12-0445 1986<br/>E-mail: <a href="mailto:akhil.kumar@careedge.in">akhil.kumar@careedge.in</a></p> <p>Sunidhi Vyas<br/>Lead Analyst<br/><b>CARE Ratings Limited</b><br/>E-mail: <a href="mailto:sunidhi.vyas@careedge.in">sunidhi.vyas@careedge.in</a></p> |
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#### About us:

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