

Kunal Transport_Proprietor Om Prakash Gupta

September 03, 2024

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	49.21	CARE B+; Stable	Assigned
Short-term bank facilities	5.26	CARE A4	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Kunal Transport_Proprietor Om Prakash Gupta (KT) remained constrained by its leveraged capital structure in FY24 (refers to the period April 1 to March 31), constitution as a partnership entity having the risk of withdrawal of capital, asset intensive business model and highly competitive nature of transportation and logistics business.

The ratings also take into consideration the debt-funded capital expenditure being undertaken by the proprietor for providing buses on a rental basis (charges as per the distance (KM) travelled) to the Odisha State Road Transport Corporation (OSRTC) under the Location Accessible Multi-modal Initiative (LAccMI) scheme. The total expenditure is estimated at around Rs.87 crore which is expected to be fully funded by term loan.

The aforesaid constraints are partially offset by its experienced promoter, growing scale of operation albeit moderation in profitability margin during FY24 and diversified revenue stream.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations with total operating income (TOI) above Rs.200 crore along with PBILDT margin above 10% on a sustained basis.
- Improvement in capital structure with overall gearing below 7.00x on a sustained basis.
- Change in constitution from proprietorship to private limited company.

Negative factors

- Decline in scale of operations, with TOI going below Rs.125 crore on a sustained basis.
- Any further deterioration in capital structure with overall gearing more than 22x on a sustained basis.
- Moderation in profitability margin leading to stretched liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Constitution as a proprietorship entity with risk of withdrawal of capital

Proprietorship nature of business has an inherent risk of withdrawal of capital by the proprietor at the time of his personal contingency resulting in reduction of capital base, leading to adverse effect on capital structure. In KT also, the proprietor has withdrawn capital over the years leading to low net worth position of Rs.3.96 crore as on March 31, 2024 (prov.).

Asset intensive business model

The entity possesses a fleet of around 400 owned vehicles. This comprises various types of around 300 buses including both school bus and State bus, and around 84 tippers and trailers for transportation of coal and some oil tankers.

Leveraged capital structure

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The capital structure of the entity has remained highly leveraged marked by overall gearing of 19.04x as on March 31, 2024, on account of vehicle loans availed to ramp up its scale of operation vis-à-vis low net worth of Rs.3.96 crore as on March 31, 2024. Interest coverage ratio has remained stable at 9.30x in FY24 (PY: 9.05x). TDGCA though improved to 5.42x as on March 31, 2024 as against 10x as on March 31, 2020, however, continued to remain high.

Debt funded capex under implementation

The firm has entered into agreement with OSRTC to rent buses against which the government pays charges as per the distance (KM) travelled by the bus under the LAccMI Project. The LAccMI project is expected to have a cost of around Rs.87 crore. Out of Rs.87 crore, the company has availed Rs.65 crore of loan from multiple banks and had purchased small size buses of 9-meters. The remaining Rs. 22 crore will be availed by the firm once approval is received from the new Government in Odisha, post which, the same will be utilised for purchasing 35 big size buses (12-meter).

Highly competitive nature of transportation and logistics business

KT's transport business is highly competitive in nature on account of presence of large number of small players having limited fleet size, both in organized and unorganized sectors. It results in lower bargaining power of small operators, higher storage and handling losses and ineffective utilisation of available resources.

Key strengths

Experienced promoter

Mr Om Prakash Gupta have more than three decades of experience in providing logistic services, which has helped it establish and maintain strong relationships with a diversified and reputed customer base and has ensured repeat business.

Growing scale of operation albeit moderation in profitability margin

TOI of the firm has increased from Rs.2.91 crore in FY20 to Rs.156.98 crore in FY24 on account of long-term association with its existing clients as well as building of new clientele in different segments. However, the operating margin has moderated over the years from 30.93% in FY20 to 9.90% in FY24. With the entity gradually scaling up its new venture of providing buses on rental to OSRTC, the revenue is expected to improve going forward. However, profitability margin is expected to remain at similar levels.

Diversified revenue stream

KT leases school buses to District Mineral foundation (DMF) while the LACCMi division leases out buses to OSRTC under the LAccMI scheme. Also, KT provides coal logistics for major players like Adhunik Metaliks Limited, Hindalco Industries Limited, Vedanta Limited, JSW energy mining etc.

Furthermore, the proprietor also runs a petrol pump and has three diesel tanker which is used for supplying of POL (Petroleum, Oil and Lubricants).

Liquidity: Stretched

Liquidity of the entity has been marked stretched on account of high debt repayment obligations with closely matched accruals. In FY25, the entity is expected to generate sufficient cash accruals vis-à-vis debt repayment obligation of around Rs.11 crore. The proprietor has stated that in case of any shortfall, fund support would flow in.

Applicable criteria

[Definition of Default](#)

[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	Road Transport

KT is a proprietorship firm promoted by Mr Om Prakash Gupta in the year 1997. The firm is engaged in providing multiple services like coal logistics services, providing school bus services, and lending of buses to Odisha state govt. Furthermore, the promoter is also engaged in providing transport service to OMC's for transporting of petroleum and diesel for refilling. The proprietor has other business interest such as a petrol pump as well as tanker business, premium wine shop etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	131.64	156.98
PBILDT	11.82	15.55
PAT	4.24	1.83
Overall gearing (times)	4.04	19.04
Interest coverage (times)	9.05	9.30

A: Audited; UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.35	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	May 2029	48.86	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	5.26	CARE A4

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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	0.35	CARE B+; Stable				
2	Non-fund-based - ST-Bank Guarantee	ST	5.26	CARE A4				
3	Fund-based - LT-Term Loan	LT	48.86	CARE B+; Stable				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated 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 - ST-Bank Guarantee	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 for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-033- 40181631 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Kamal Mahipal Assistant Director CARE Ratings Limited Phone: +91-033- 40181628 E-mail: kamal.mahipal@careedge.in
	Tridib Kundu Analyst CARE Ratings Limited E-mail: Tridib.Kundu@careedge.in

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