

Hora Transport Company Private Limited

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00 (Enhanced from 0.70)	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable
Short Term Bank Facilities	12.00 (Enhanced from 8.00)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

In the absence of minimum information required for the purpose of rating, CARE Ratings Ltd. (CARE) was unable to express an opinion on the rating of Hora Transport Company Private Limited (HTCPL) and in line with the extant SEBI guidelines, CARE revised the rating of bank facilities of the company from 'CARE BB-; Stable/ CARE A4' to 'CARE B+; Stable/ CARE A4; ISSUER NOT COOPERATING' and subsequently revised the rating to 'CARE B-; Stable/ CARE A4; ISSUER NOT COOPERATING'.

However, the company has now submitted the requisite information to CARE. Accordingly, CARE has carried out a full review of the rating and the rating is revised to 'CARE BB-; Stable/ CARE A4'.

The revision in ratings assigned to the bank facilities of Hora Transport Company Private Limited (HTCPL) factors in steady scale of operation and satisfactory capital structure of the company in the last three fiscal years ending March 31, 2024.

The ratings remain constrained by small scale of operation with low profitability margins, working capital intensive nature of operations, volatility in prices of input materials, moderate debt coverage indicators and intensely competitive industry with tender driven process risk. The ratings, however, continue to derive comfort from long track record of operations, experienced promoters and need based support from promoters along with reputed customers' base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operation above Rs.60 crore while improving operating margins to above 4% on sustained basis.

Negative factors

- Decline in scale of operation below Rs.30 crore and operating margins below 3% on sustained basis.
- Moderation in overall gearing above 2x on sustained basis.
- Inability of the promoters to infuse funds to fund debt repayment as and when required.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is on account of long track record of operations of the firm and expected sustenance of financial risk profile of the company in near to medium term.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations with low profitability margins

HTCPL's income from operations has remained steady in the last 3 fiscal years ending March 31, 2024. However, scale of operation continues to remain small marked by total operating income (TOI) of around Rs.46 crore in FY24 and tangible networth of around Rs.7 crore as on March 31, 2024. Furthermore, the operating margins moderated to 3.64% in FY24 from 5.38% in FY22 on account of higher repairs and maintenance cost pertaining to older fleet of vehicles.

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

In 5MFY25, the company has achieved TOI of Rs.24.00 crore. Going forward, scale of operation is expected to show improvement and operating margins are expected to remain range bound.

Working capital intensive nature of operations

The operations of the company remained highly working capital intensive mainly due to high receivable periods of 60-75 days on average. The company mainly executes orders for government departments and PSUs and the collection from them happens in 60-75 days. However, it receives average credit period of about 45-50 days from suppliers which helped to mitigate the working capital intensity to a certain extent. The operating cycle of the company stood at 31 days as on March 31, 2024, and expected to remain range bound in near to medium term.

Exposure to volatility in prices of input materials

Fuel expenses form one of the major expenses for transportation and allied activities. Thereby the profitability of the company is exposed to diesel price fluctuations to large extent as there is no fuel price escalation clause in tenders of Food Corporation of India (FCI). Nonetheless, this risk gets mitigated to some extent there is fuel price escalation clause with other parties except FCI.

Intensely competitive industry with tender driven process risk

The company has to bid for most of the contracts based on tenders opened by various Government entities including FCI. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. Since the type of work done by the company is mostly commoditized, the company faces intense competition from other players. Competition in logistics and supply chain management industry remains intense with global as well as regional and local players which limits pricing power. Furthermore, revenue growth and margins are vulnerable to slowdown in economic growth.

Key strengths**Long track record of operations with experienced promoters**

HTCPL has been into the transportation industry since 1993 and accordingly has a long track record of operations. The promoters have more than three decades of experience in the same line of business. The day-to-day operations of the company are looked after by Mr. Sarabjit Singh Hora; supported by a team of experienced professionals.

Satisfactory capital structure amidst moderate debt coverage indicators

The capital structure of the company continued to remain satisfactory in the last three fiscal years ending March 31, 2024, marked by overall gearing at around unity and stood at 0.94x as on March 31, 2024, as compared to 0.89x as on Mar 31, 2022. However, debt coverage indicators of the company continued to remain moderate with interest coverage of 2.03x (FY23: 1.69x) and total debt to GCA of 8.99x (FY23: 10.31x) as on March 31, 2024.

Liquidity: Stretched

Stretched liquidity is marked by utilization of working capital limits at around 90% to 92% in the last 12 months ending August 31, 2024 (as per banker interaction) and dependence on infusion of funds from promoters to meet debt repayment obligations in timely manner. The promoters have infused Rs.0.78 crore to support the operation of the company and scheduled debt repayment obligations in FY24.

Going forward, the liquidity position of the company is expected to remain stretched on account of continued dependence on infusion of funds from promoters to meet debt repayment obligations in near to medium-term.

Environment, social, and governance (ESG) risks: Not Applicable**Applicable criteria**[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Financial Ratios – Nonfinancial Sector](#)[Service Sector Companies](#)[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Road Transport

Incorporated in July 1993, Hora Transport Company Private Limited (HTCPL) is mainly does rake handling (loading & unloading), freight transportation and godown handling services for Food Corporation of India (FCI). The service centre of the company is located at Raipur, Chhattisgarh. After prolonged illness, one of the founder Mr. Dilip Singh Hora passed away in 2024. Thereafter, the day-to-day operations of the company are looked after by Mr. Sarabjit Singh Hora (son of late Dilip Singh Hora) supported by a team of experienced professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	5MFY25 (P)
Total operating income	45.46	45.62	24.00
PBILDT	2.36	1.66	NA
PAT	-1.02	0.69	NA
Overall gearing (times)	1.08	0.94	NA
Interest coverage (times)	1.69	2.03	NA

A: Audited P: Provisional; NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	3.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	12.00	CARE A4

Annexure-2: Rating history for 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-Bank Overdraft	LT	3.00	CARE BB-; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (10-Jul-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Jun-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (01-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	12.00	CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Jul-23)	1)CARE A4; ISSUER NOT COOPERATING* (03-Jun-22)	1)CARE A4; ISSUER NOT COOPERATING* (01-Apr-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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