

Speedo Cargo

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00 (Enhanced from 0.10)	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable
Short Term Bank Facilities	13.00 (Enhanced from 7.00)	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 Speedo Cargo 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' 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 Speedo Cargo is on account of satisfactory capital structure and debt coverage indicators, long track record of operation with experienced proprietor.

The ratings assigned to the bank facilities of Speedo cargo is constrained small scale of operation with moderate profitability margins, proprietorship nature of constitution, exposure to volatility in prices of input materials, working capital intensive nature of operations & intensely competitive industry with tender driven process risk.

However, the ratings derive strength from experienced promoters with long track record & comfortable capital structure with favourable debt coverage indicators

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operation above Rs.75 crore while maintaining operating margins at around 5% on sustained basis.

Negative factors

- Decline in scale of operation below Rs.20 crore and operating margins below 3% on sustained basis.
- Decline in overall gearing above 2x on sustained basis
- Moderation in operating cycle leading to tightening of liquidity profile of the entity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is on account of long track record of operations of the firm and satisfactory capital structure with 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 operation with moderate profitability margins: SC is a relatively small player vis-à-vis other players in freight transport services industry with total operating income of Rs.39.11 crore (FY23: Rs.53.40 crore) and PAT of Rs. 1.40 crore (FY23: PAT of Rs.1.81 crore) in FY18. Moreover, the net worth base of the entity continued to remain low at Rs. 10.56 crore as on March 31, 2018. The small size restricts the financial flexibility of the entity in times of stress, and it suffers on account of economies of

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

scale. PBILDT margins moderated from 7.43% in FY22 to 4.73% in FY24 on account of higher repairs cost pertaining to older vehicles, however the margins are comparable to peers in this business segment.

Proprietorship nature of constitution: SC, being a proprietorship entity, is exposed to inherent risk of withdrawal of capital by the proprietor, restricted access to funding and risk of dissolution on account of poor succession planning. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

Working capital intensive nature of operations:

The operations of the company remained highly working capital intensive mainly due to high receivable period. The firm mainly executes orders for government units and large private players and the collection from them gets delayed due to procedural delay and its low bargaining power. Moreover, the average working capital utilization was around 90% over the last 12 months ending August 2024.

Exposure to volatility in prices of input materials

Fuel expenses form one of the major expenses for the transportation and allied activities. The profitability of the entity is vulnerable to diesel price fluctuations. However, there escalation clause in some of the contracts which allow for compensation for price fluctuations. Further, given the bundle nature of service where labour charges also constitute sizeable portion of overall contract charges. The fuel price only constitutes around 10% to 15% of total service charges.

Intensely competitive industry with tender driven process risk:

The entity has to bid for most of the contracts based on tenders opened by various Government entities. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. Since the type of work done by the entity is mostly commoditized, the entity 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 its pricing power. Revenue growth and margins are vulnerable to slowdown in economic growth.

Key Strengths

Long track record of operation with experienced proprietor:

SC is into transportation industry since 1993 and accordingly has long track record of operations. Furthermore, the proprietor Mr. Gurmeet Singh Hora has an experience of more than two decades in the same line of business. He looks after the overall management of the entity supported by a team of experienced professional.

Satisfactory capital structure and debt coverage indicators: The overall gearing continued to remain satisfactory and stood at 0.44x as on Mar 31, 2024, as compared to 0.55x as on Mar 31, 2022, on repayment of term loan and lower working capital utilization. TOL/TNW stood at 1.13x in FY24 vis-à-vis 0.89x as on FY22.

The debt coverage indicators of the company remained moderate during FY24 marked by interest coverage of 4.76x (FY22: 4.60x) and total debt to GCA of 2.66x (FY22: 2.21x) in FY24.

Liquidity: Adequate

The liquidity position of the entity remained adequate marked by satisfactory cushion in gross cash accruals of Rs.1.77 crore as against scheduled debt repayment obligations of Rs.0.48 crore in FY24; supported by cash and cash equivalents of Rs.0.55 crore as on March 31, 2024. Going forward, it is expected that the liquidity position of entity will remain adequate on the back of sufficient cushion in expected gross cash accruals and scheduled debt repayments obligations of Rs.0.41 crore in FY25.

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 – Non financial 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

Raipur (Chhattisgarh) based, Speedo Cargo (SC) was established as a proprietorship entity in August 1997 by Mr. Gumeet Singh Hora. The entity has been engaged in providing cargo handling, freight transport by road and other transportation services. Currently, the entity procures orders mostly through tender and executes orders floated by the various Govt. and large private entities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	5MFY25 (P)
Total operating income	53.40	39.11	26.00
PBILDT	2.89	1.85	NA
PAT	1.81	1.40	NA
Overall gearing (times)	0.71	0.44	NA
Interest coverage (times)	4.11	4.76	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		-	-	-	2.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	13.00	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	2.00	CARE BB-; Stable	1)CARE B-; Stable; ISSUER NOT	1)CARE B-; Stable; ISSUER NOT	1)CARE B-; Stable; ISSUER NOT	1)CARE B; Stable; ISSUER NOT

					COOPERATIN G* (29-Jul-24)	COOPERATIN G* (27-Jun-23)	COOPERATIN G* (03-Jun-22)	COOPERATIN G* (01-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	13.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATIN G* (29-Jul-24)	1)CARE A4; ISSUER NOT COOPERATIN G* (27-Jun-23)	1)CARE A4; ISSUER NOT COOPERATIN G* (03-Jun-22)	1)CARE A4; ISSUER NOT COOPERATIN G* (01-Apr-21)

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

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

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-033-40181631 E-mail: arindam.saha@careedge.in Punit Singhania Associate Director CARE Ratings Limited Phone: +91-033-40181620 E-mail: punit.singhania@careedge.in Souptik Pal Rating Analyst CARE Ratings Limited E-mail: Souptik.pal@careedge.in
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About us:

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