

Karam Chand Thapar & Bros (Coal Sales) Limited

January 03, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	150.00	CARE A+; Stable	Reaffirmed
Long-term/short-term bank facilities	760.00	CARE A+; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Karam Chand Thapar & Bros (Coal Sales) Limited (KCTBL) continue to derive strength from its established presence in the coal logistics and services sector with proven track record and expertise, moderate revenue visibility arising from the current order book, long-standing relationship with its customers, and stable demand outlook. Ratings also continue to derive significant strength from KCTBL's financial flexibility by being a part of the resourceful Karam Chand Thapar (KCT) group, which has significant free treasury investments at group level and a demonstrated track record of support extended by KCT Financial & Management Services Private Limited (KCTFMSPL) to KCTBL in line with its stated stance. Ratings also consider the improvement in financial performance in FY24 (refers to April 1 to March 31) and H1FY25 with higher profitability margin, due to execution of higher margin contracts at revised freight rates despite elongation in the operating cycle.

However, ratings continue to be constrained by the client concentration risk with exposure to counter-parties having moderate credit profile, moderate debt coverage indicators, and increased working capital borrowings to fund the increase in receivables including contractually reimbursable expenses from one of its customers. Ratings continue to remain tempered by tender-based nature of operations in a fragmented industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in the scale of operations with increase in the volume of coal transported and diversification in client base.
- Sustenance of overall gearing ratio below 0.25x and improvement in total debt/profit before interest, lease rentals, depreciation, and taxation (PBILDT) below 2x.
- Significant improvement in its PBILDT margin along with earning return on capital employed (ROCE) of more than 20% on a sustained basis.
- Significant decrease in the average collection period (including contractually reimbursable expenses) on a sustained basis.

Negative factors

- Substantial decrease in the scale of operations with inability to garner new contracts/renewal of contracts.
- Operating profitability (PBILDT) margin remaining below 5% on a sustained basis.
- Increase in overall gearing beyond unity on a sustained basis.
- Significant elongation of average collection period (including contractually reimbursable expenses) on a sustained basis.
- Substantial decline in free liquid investments available at the group level.

Analytical approach: Standalone while factoring linkages with the KCT group.

Outlook: Stable

The 'stable' outlook reflects that KCTBL is expected to sustain its healthy business risk profile, given its increased focus on high value contracts. CARE Ratings Limited (CARE Ratings) expects the financial risk profile to be comfortable, despite the company's increased working capital requirements, supported by its strong business risk profile.

Detailed description of key rating drivers:

Key strengths

Established presence of KCTBL in the coal logistics and services sector

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

The KCT group has emerged from the erstwhile Thapar group of companies, originally promoted by Late Karam Chand Thapar in 1929. The faction to which KCTBL belongs is currently headed by Vikramaditya Mohan Thapar and his son Varun Aditya Thapar, who possess significant experience in the coal logistics business. The group has presence in several sectors including coal logistics, real estate, aquaculture and treasury with coal logistics being the oldest business of the group.

KCTBL has grown considerably over the years to become an established player in its core business area, coal logistics and services. The company's strong infrastructural network across the country in terms of dispatch centres near major coalfields and coal handling ports and office network of ~30 branches located pan-India provides KCTBL a competitive edge, even though its entire fleet is on hire basis. The major logistical models provided by KCTBL are All Rail (AR), Rail-cum-Sea (RS) and rail-cum-sea-cum-rail (RSR).

Presence of significant amount of treasury investments at group level with demonstrated support to KCTBL

The KCT group has low reliance on debt and the value of free liquid investments at the group holding level stood at ~₹ 705 crore as on September 30, 2024. Furthermore, the group has significant investment in properties.

After demerger of treasury division of KCTBL into KCTFMSPL few years ago, KCTFMSPL had strongly articulated its stance to provide liquidity support to KCTBL to timely meet its obligations in case of requirement which provides significant financial flexibility to it. The same has also been demonstrated through inter-corporate deposits being availed by KCTBL from KCTFMSPL as and when required for meeting higher volume of business during the year. Continued support from the group and availability of significant liquid investments within the group are key rating monitorable.

Improved profitability in FY24 and H1FY25; expected to sustain going forward

The TOI of the company, excluding retention money accounted for on cash receipt basis, decreased to ₹619.39 crore in FY24 (₹690.23 crore in FY23) considering lower volume of coal transported compared to previous year, due to focus on execution of higher margin orders. Order book position also witnessed moderation and stood at ₹206 crore as on October 30, 2024 (₹539 crore as on February 15, 2024). Consequently, profitability improved, marked by PBILDT margin of 18.84% in FY24 against 13.62% in FY23. In H1FY25, the PBILDT margin continued to improve further to ~23.31%. Going forward, with the recent contracts entered by the company being at competitive rates and the company focussing mainly on higher margin contracts, the profitability is expected to sustain. However, it remains exposed to the volatility in sea freight rates and intense competition.

Improvement in debt coverage indicators with comfortable capital structure

Debt coverage indicators of KCTBL improved in FY24 considering improved operating profitability. Interest coverage ratio in FY24 stood at 3.87x against 2.72x in FY23. Total debt/PBILDT improved to 1.87x as on March 31, 2024, against 3.07x as on March 31, 2023. The working capital borrowings remained high as on March 31, 2024, and increased further as on September 30, 2024, for funding the higher level of outstanding receivables and contractually reimbursable expenses. Unsecured loans from promoters (₹70 crore) has been repaid in FY24 resulting in improvement in overall gearing ratio to 0.35x as on March 31, 2024, which again increased as on September 30, 2024 to 0.48x. However, KCTBL's capital structure continues to remain comfortable due to its healthy net worth. CARE Ratings observes, going forward, the debt levels are expected to remain low and comprise only working capital borrowings.

Stable demand outlook

Long-term growth prospects for coal demand and consequently coal logistics continue to remain stable. The demand is driven by increase in thermal power demand on the back of increase in economic activities and government's thrust on infrastructure leading to stable growth prospects in user industries such as power generation, cement, and steel.

Liquidity: Strong

The liquidity profile of the company is strong with average utilisation of ~54% of the fund-based working capital limits in the 12 months ended September 30, 2024 and low term debt repayment obligation pertaining to vehicle loans. The KCT group, as on September 30, 2024, had significant free liquid investments of ~₹705 crore in Vikramaditya Mohan Thapar Family Trust (VMTFT) and KCTFMSPL with stated and demonstrated support to KCTBL. The company does not have major capex plans in the medium term. Besides, the company enjoys financial flexibility by being part of the KCT group.

Key weaknesses

Customer concentration risk with exposure to counterparties having moderate credit profile

The customer base of the company is significantly skewed towards thermal power sector with orders from Government entities (mainly state discoms having moderate credit profile) comprising over 80% of its outstanding order book as on October 30, 2024. The concentration of sales to top five customers has increased from ~80% of TOI in FY23 to ~90% of TOI in FY24.

Significant dependence on a single commodity and user industry exposes KCTBL to volatility in the commodity and user industry demand, which may impact the company's performance. However, given the favourable prospects of coal mining and thermal power generation in India supported by KCTBL's proven track record in the field of coal logistics, the concentration risk is mitigated to a certain extent.

Elongation in average collection period

KCTBL's operations are inherently working capital intensive due to billing cycle ranging from 2 to 4 months and certification process involved in billing to government entities (mainly State Discoms with moderate credit profile). New contracts are also entered with higher credit period. Accordingly, collection period elongated from 83 days in FY23 to 174 days in FY24, and further to 192 days in H1FY25.

Earlier, KCTBL incurred significant logistics costs on behalf of one of its customers which it later received as a reimbursement, a practice it discontinued in FY24. However, large amount of contractually reimbursable expenses still remain to be recovered (~₹100 crore as on September 30, 2024), further increasing the working capital requirement.

Tender-based nature of operations in a fragmented industry

There are numerous unorganised and small players in the coal logistics industry which makes the industry highly fragmented. The contracts are generally renewed on a tender basis keeping the margins in check. In addition to the above, for the coal handled through the sea route, chartering of the vessel/cargo ships is done by the company. The ocean freight tenders are fixed-price contracts which restricts the company's ability to pass on increase in the input costs.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Ratings](#)

[Short Term Instruments](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Transport-related services

KCTBL, the flagship company of the KCT group of Kolkata, is one of the largest and oldest coal logistics and services companies of India. It manages the entire set of logistical operations involved in the movement of huge volumes of coal through All Rail (AR) and Rail-cum-Sea (RS) logistical models. The company is currently managed by Varun Aditya Thapar, who is supported by a team of experienced management personnel.

As part of corporate business restructuring at the group level, the treasury, real estate, and shared services businesses of the company were demerged on October 21, 2017. After the business restructuring in the group, KCTBL was engaged in coal logistics and manufacturing of specialised containers. However, the container business was also sold in October 2018, and the company is now managing its core business of coal logistics.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	710.95	628.22	395.93
- Retention money accounted on cash basis included above	20.72	8.83	NA
PBILDT	96.82	118.35	92.30
PAT	56.74	95.35	NA
Overall gearing (times)	0.54	0.35	NA
Interest coverage (times)	2.72	3.87	8.36

A: Audited UA: Unaudited 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 facility: Annexure-3

Complexity level of facilities 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		-	-	-	150.00	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	560.00	CARE A+; Stable / CARE A1+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	200.00	CARE A+; Stable / CARE A1+

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	200.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (27-Mar-24)	1)CARE A+; Stable / CARE A1+ (05-Jan-23) 2)CARE A+; Stable / CARE A1+ (24-May-22)	1)CARE AA-; Negative / CARE A1+ (30-Dec-21)
2	Fund-based - LT-Cash Credit	LT	150.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-24)	1)CARE A+; Stable (05-Jan-23) 2)CARE A+; Stable (24-May-22)	1)CARE AA-; Negative (30-Dec-21)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	560.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (27-Mar-24)	1)CARE A+; Stable / CARE A1+ (05-Jan-23) 2)CARE A+; Stable / CARE A1+ (24-May-22)	1)CARE AA-; Negative / CARE A1+ (30-Dec-21)

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

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Facilities	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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

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About us:

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