Tejas Cargo India Limited

May 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	124.30	CARE BBB-; Stable	Assigned
Long-term / Short-term bank facilities	70.00	CARE BBB-; Stable / CARE A3	Assigned
Short-term bank facilities	15.70	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Tejas Cargo India Limited (TCIL) factor in the company's growing scale of operations and experienced promoters and established client base position. Ratings also consider the company's comfortable operating cycle. However, ratings are constrained by highly fragmented and competitive industry, vulnerability of profitability margins to economic cycle and competition and leveraged capital structure in FY24 (refers to April 01 to March 31).

CARE Ratings Limited (CARE Ratings) believe the company's overall gearing to improve driven by improvement in capital base owing to recently raised funds using initial public offer (IPO) in Q4FY25 (refers to January 01 to March 31). Further, the improvement in overall gearing will be supported by proposed partial repayment or pre-payment of borrowings availed from lenders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) above ₹600 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) 17.50% on a sustained basis.
- Improvement in capital structure of the company as marked by total debt to PBILDT below 1.25x on a sustained basis.

Negative factors

- Decline in TOI below ₹400 crore and PBILDT margin below 15.50% on a sustained basis.
- Deterioration in capital structure of the company as marked by overall gearing above 0.90x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has taken a consolidated approach of TCIL and its subsidiary considering common management, and their operational and financials linkages. The entities included in the consolidated analysis are given in **Annexure-6**.

Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that TCIL will continue to derive benefit from its long-standing experience of promoters in the industry.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations with healthy profitability margins

The company's operational performance grew since the commencement of operations as marked by TOI of ₹421.03 crore in FY24, primarily due to increased number of trips over the years, where the company completed 98,913 trips in FY24. The profitability margins marked by PBILDT and profit after tax (PAT) margins stood comfortable at 16.03% and 3.14%, respectively, in FY24. TCIL achieved TOI of ₹253.02 crore in H1FY25 (refer to April 01 to September 30) with PBILDT and PAT margin of 17.19% and 3.46%, respectively. Diesel costs is a major part of the company's expenses, however, TCIL consistently managed to pass these costs to customers through periodic freight rate adjustments, maintaining a stable fuel cost-to-revenue relationship in transportation business.

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

Comfortable operating cycle despite high working capital requirements

The company's operating cycle stood comfortable as marked by operating cycle of 42 days as on March 31, 2024, with credit period being provided to its customers in the range of 30-60 days. However, the company's business is working capital intensive considering huge upfront expenses incurred in conducting operations through own fleet and hired vehicles. The time gap in collection of receivables and upfront outflow of expenses results in large working capital requirement. The same results in gross current days of 89 days as on March 31, 2024. The working capital limits were ~87% utilised on an average in the 12 months period ending February 2025, with maximum average utilisation of ~93% in the March 2024. CARE Ratings believes the company's ability to maintain its operating cycle with lower dependence on external debt will remain a key credit monitorable over the short-to-medium term.

Reputed clientele position albeit customer concentration risk

The company serves customers across several industry sectors with most clients that are the leading companies in their respective sectors and strong credit profile, hence counterparty risk is also low. The company has been able to secure repeat orders from majority clients. TCIL is engaged in providing wide range of services including transportation services and third-party logistics (3PL), among others. It enables the company to cater diverse mix of customers including corporate, small and other enterprises, distributors and traders. TCIL has customer concentration risk since the top 10 customers contributing ~66% TOI in FY24, however, is attracting new clients to their customer base. The company's ability to diversify its customer base resulting reduction in customer concentration risk will remain a key monitorable.

Experienced promoters

Incorporated in 2009, Manish Bindal founded Trans Cargo India as a sole proprietorship to meet the logistics needs of different industries and was supported by Chander Bindal. Their combined experience led to TCIL's establishment in 2021. The company is promoted by Chander Bindal as the chairman and managing director and Manish Bindal as the CEO and director. Their deep industry knowledge and a team of qualified personnel provide a competitive edge in building a reputable clientele.

Key weaknesses

Leverage capital structure and moderate debt coverage indicators albeit expected improvement in FY25 due to IPO issue in Q4FY25

The company's capital structure stood leveraged as marked by overall gearing of 2.91x as on March 31, 2024, due to high reliance on external debt. The overall gearing stood at 2.52x as on September 30, 2024. However, going forward the overall gearing is expected to improve since TCIL has raised IPO of ₹105.84 crore in Q4FY25 which resulted in improvement in the company's net worth base. Improvement in capital structure will also be due to reduction in the company's total debt since IPO proceeds aggregating to ₹15 crore are proposed to be utilised towards partial repayment or pre-payment of the borrowings availed from the lenders. TCIL's debt coverage indicators as marked by interest coverage ratio (ICR) stood comfortable at 6.41x and 5.42x, respectively, as on March 31, 2024, and September 30, 2024. However, the total debt to PBILDT and total debt to gross cash accruals (TD/GCA) stood moderate at 2.34x and 2.92x, respectively, as on March 31, 2024. The company has total outside liabilities to total net worth (TOL/TNW) base stood at 3.25x as on March 31, 2024.

Highly fragmented and competitive industry

The goods transportation industry is unorganised, competitive and highly fragmented in India. The principal competitive factors include service quality, reliability, price and the availability and configuration of vehicles that can comprehensively address varying requirements of different customer segments and specific customer needs. The logistics industry faces intense competition and weak margins due to low entry barriers. High fragmentation and intense competition lead to unhealthy price wars and discounts resulting in pressure on margins and depressed freight rates. The company is competing with a variety of local, regional, and national goods transportation service providers of varying sizes and operations and, to a lesser extent, with railroads carriers.

Vulnerability of profitability margins to economic cycle and competition

Logistics operations depend on the country's overall economic condition. Higher economic activity translates to higher freight movement which drives demand for road freight transport industry. TCIL remains exposed to significant fluctuation in hire charges for market vehicles as the rates primarily depend on the demand-supply dynamics. It is also vulnerable to the volatility in fuel prices, and its ability to tackle a timely pass-through of variation in fuel prices remains critical in maintaining its profitability margins. However, TCIL consistently managed to pass these costs to customers through periodic freight rate adjustments, maintaining a stable fuel cost-to-revenue relationship in transportation business. The company's ability to safeguard its profitability margins while managing its competition in an efficient manner will continue to be a crucial factor to monitor.

Liquidity: Adequate

TCIL has adequate liquidity as marked by GCA of ₹53.92 crore as on March 31, 2024, and is expected to be in the range of ₹80-85 crore against debt repayment obligation of ~₹45 crore in FY26. However, the company's business is working capital intensive considering huge upfront expenses met largely through working capital borrowings. The average utilisation for the last 12 months ending February 2025 is ~87% with the highest average utilisation of ~93% in March 2024. As on March 11, 2025, the company has FDRs (out of IPO proceeds) of ₹54.42 crore, investment in mutual funds of ₹0.39 crore and bank balance of ₹0.26 crore.

Assumptions/Covenants: Not applicable

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	Logistics solution provider

Incorporated as on March 26, 2021, based in Faridabad, Haryana, TCIL provide express supply chain transportation under Full Truck Load (FTL) to a diverse range of industries, including logistics, steel and cement, e-commerce, industrial and chemicals, FMCG, and white goods sectors, with over 25 branches nationwide. It provides 3PL services including warehousing, transportation, and distribution and Fourth party logistics (4PL) logistics solutions providing end-to-end supply chain management to streamline overall supply chain operations.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (A)
Total operating income	383.16	421.03	253.02
PBILDT	31.61	67.47	43.49
PAT	9.86	13.22	8.75
Overall gearing (times)	6.40	2.91	2.52
Interest coverage (times)	6.15	6.29	5.42

A: Audited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2030	124.30	CARE BBB-; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	70.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee	-	-	-	-	15.70	CARE A3

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 2025-2026	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	70.00	CARE BBB-; Stable / CARE A3	-	-	-	-
2	Fund-based - LT-Term Loan	LT	124.30	CARE BBB-; Stable	-	-	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	15.70	CARE A3	-	-	-	-

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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Tejas Cargo India Limited	Full	Holding company
2.	Tejas Carrriers Solutions Private Limited	Full	Subsidiary

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	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754-3444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Srishti Jain Rating Analyst **CARE Ratings Limited** E-mail: Srishti.jain@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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