

## Intact Transport Private Limited

September 23, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	92.48 (Reduced from 100.00)	CARE BB; Stable (Double B; Outlook: Stable )	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>92.48</b> <b>(₹ Ninety-Two Crore and Forty-Eight Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The revision in rating assigned to the bank facilities of Intact Transport Private Limited (ITPL) factors in the improvement in the total operating income with increase in fleet followed by improvement in debt coverage indicators. The ratings continue to remain constrained on account of its leverage capital structure as on account of regular predominantly debt funded capex towards addition in fleet, business risk associated with tender based orders, and highly competitive and fragmented nature of the industry. The ratings, however, derive strength from experienced and resourceful promoters and moderate profitability margins.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Consistent increase in scale of operations as marked by total operating income of above Rs.150.00 crore over the medium term on sustained basis.
- Improvement in the capital structure as marked by overall gearing ratio of below 2.00x.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in profitability margins as marked by PBILDT and PAT margins below 35% and 2% over the medium term.
- Deterioration in capital structure of the company with overall gearing at 7.00x.

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Modest though growing scale of operation:** ITPL's scale of operations stood modest as marked by total operating income of Rs.94.81 crore and gross cash accruals of Rs.33.42 crore respectively, during FY22 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.41.35 crore and Rs.20.03 crore respectively in FY21. Nevertheless, the scale remains small, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. For the period FY19-FY21, ITPL's total operating income grew from Rs.0.19 crore to Rs.94.81 crore reflecting a compounded annual growth rate (CAGR) of 246.43%. Further, in 5MFY22 (refer to the period from April 01, 2022 to August 31, 2022) total operating income of the company stood at Rs.51.03 crore. The company is expecting to achieve total income from operation of ~Rs. 136.96 crore in FY23 as envisaged.

**Leveraged capital structure:** As on March 31, 2022 (Prov.), the capital structure of the company stood leveraged as on the past three balance sheet dates ending March 31, '20-'22 on account of high debt levels against the low net worth base. Overall gearing (Including Acceptances / Creditors on LC) ratio improve and stood at 4.11x as on March 31, 2022 (prov.) as against 6.36x as on March 31, 2021. The overall gearing is expected to improve over the medium term on account of decline in debt level due to regular repayments coupled with improvement in net worth due to accretion of profit to reserves.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Business risk associated with tender-based orders:** The company undertakes contracts from Delhi Transport Corporation, which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues of the company.

**Highly competitive and fragmented nature of the industry:** The highly fragmented and unorganized nature of the industry results in intense price competition and may lead to pressure on the company's profitability in case of adverse situations. However, the players with superior quality of service and presence in different locations across country and clientele across various industries would enjoy competitive edge and would be able to garner more business and long-term contracts.

#### **Key rating Strengths**

**Experienced and resourceful promoters:** The operations of the company are currently being managed by Mr. Hari Ram Khatri, Mr. Param Jeet Singh, Ms. Anjali, Mr. Sanjay and Mr. Virender Singh, with experience ranging from half a decade to two decades through their association with the ITPL and other regional entities. The promoters have adequate acumen about various aspects of business and is assisted by a team of professionals who are highly experienced in their respective domains.

**Moderate profitability margins:** The profitability margin of the company stood moderate for the past three financial year ending FY22. The profitability margins as marked by PBILDT ratio has declined and stood at 45.18% during FY22 as against 61.73% during FY21. The decline in PBILDT margin is on account of increase in administrative and overhead expenses such as (CNG filling charges, vehicle repair and maintenance charges, parking charges, etc.). However, PAT margin has improved to 6.88% on account of increase in PBILDT margin at absolute level.

#### **Liquidity: Adequate**

The liquidity position of the company is adequate as characterized by sufficient gross cash accruals vis- à-vis its repayment obligations. The company is expected to generate gross cash accruals of Rs. 41.74 crore in FY23 against repayment obligation of Rs. 26.52 crore in the same year. Further, the company has moderate free cash & bank balance of Rs.5.46 crore as on March 31, 2022.

**Analytical approach:** Standalone

#### **Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Commercial Vehicle](#)

[Service Sector Companies](#)

#### **About the company**

New Delhi based, Intact Transport Private Limited (ITPL) was incorporated in January 17, 2018 and started commercial operations from April 01, 2020. The company is managed by Mr. Hari Ram Khatri, Mr. Param Jeet Singh, Ms. Anjali, Mr. Sanjay and Mr. Virender Singh.

The company is engaged in providing transportation services related to public transport buses in Delhi region. The company is running public carriage cluster buses under public private partnership with the State Government. The company has fleet of 198 owned buses and has around 550 bus drivers. The company renders transportation services through contracts received by bid/tender process under cluster bus scheme of Transport Department, New Delhi.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (UA)	5MFY23 (Prov.)
Total operating income	41.35	94.81	51.03
PBILDT	25.52	42.83	NA
PAT	0.25	6.52	NA
Overall gearing (times)	6.36	4.11	NA
Interest coverage (times)	4.65	5.03	NA

A: Audited; UA: Unaudited; Prov: Provisional; NA: Not Available

\*Refer to the period from April 01, 2022 to August 31, 2022

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Available

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### 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-Long Term		-	-	September 2028	92.48	CARE BB; Stable

#### 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	92.48	CARE BB; Stable	-	1)CARE BB-; Stable (05-Oct-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-Long Term	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on 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.

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### About us:

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