

Jallan Transport Company

March 16, 2020

Ratings

Facility/Instrument	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	1.00	CARE BB-; Stable; ISSUER NOT COOPERATING* [Double B Minus; Outlook: Stable; Issuer not cooperating]	Issuer not cooperating; Revised from CARE BB; Stable (Double B; Outlook: Stable) on the basis of best available information
Short Term Bank Facilities	13.00	CARE A4; ISSUER NOT COOPERATING* [A Four; Issuer not cooperating]	"Issuer not cooperating; based on best available information"
Total	14.00 (Rs. Fourteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Jallan Transport Company (JTC) to monitor the ratings vide e-mail communications/letters dated December 03, 2019, January 06, 2020, January 13, 2020 and February 14, 2020 and numerous phone calls. However, despite our repeated requests, JTC has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, JTC has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on FVUPL's bank facilities will now be denoted as **CARE BB-; Stable and CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Jallan Transport Company (JTC) are primarily constrained on account of its modest scale of operations in highly fragmented and competitive industry and constitution as a proprietorship concern. The ratings are, further, constrained on account of seasonality associated with agro commodities and tender driven nature of business.

The ratings, however, derive strength from experienced management with long track record of operations and long relationship with various government departments. The ratings are, further derive strength from healthy profitability margins, comfortable solvency position and liquidity position.

Detailed description of the key rating drivers

At the time of last rating on February 11, 2019 the following were the rating strengths and weaknesses (Updated from latest information received from client)

Key Rating Weakness

Modest scale of operations with constitution as a proprietorship concern

The scale of operations of the firm stood modest with Total Operating Income (TOI) and PAT of Rs.32.66 crore and Rs.1.64 crore respectively in FY19.

Further, its constitution as a proprietorship concern restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor.

Seasonality associated with agro commodities and tender driven business

As the firm is engaged in the handling and transportation of agriculture commodities, the prices of agriculture commodities remained fluctuating and depend on production yield, demand of the commodities and vagaries of weather. Hence, profitability of the JTC is exposed to vulnerability in prices of agriculture commodities and purchases of agriculture commodities by Government of India.

The scale of operations of the company majorly depends upon tender receives from the government entities. Due to dependency on orders from its customers, makes its operations highly susceptible to business and operational risk.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Presence in highly fragmented and competitive industry

Transportation and logistics business is a highly competitive business on account of high degree of fragmentation in the industry with presence of a large number of small players having limited fleet size, both in organized and unorganized sectors. The prospects would be largely governed by performance of the passenger vehicle, commercial vehicle and steel sectors which in turn is directly linked to overall economic growth of the country.

Key Rating Strengths

Experienced management with long track record of operations and long relationship with various government departments

Being present in the industry since 1998, it has more than two decades of experience in the transportation industry. Mr. Gouri Shanker Bansal, proprietor, has more than three decades of experience in the transportation industry and looks after overall functions of the firm. Further, he is assisted by Mr. Gaurav Bansal, graduate by qualification, has more than five years of experience in the transportation industry and looks after finance functions of the firm.

Being present in the industry since 1998, the firm has developed long standing relationship with various government departments including Food Corporation of India (FCI), Central Warehousing Corporation (CWC), Rajasthan State Warehousing Corporation (RSWC) and other departments of state Government and thus receives repetitive orders from the departments.

Healthy Profitability Margins

The profitability margins of the firm stood healthy with PBILDT and PAT margin of 5.80% and 5.02% respectively in FY19 as against 9.47% and 8.48% respectively in FY18.

Comfortable solvency position and comfortable liquidity position

The capital structure of the firm stood comfortable marked by an overall gearing of 0.22 times as on March 31, 2019, declined from 0.07 times as on March 31, 2018. The debt coverage indicators stood comfortable at 0.81 times as on March 31, 2019. Further, Interest Coverage stood comfortable at 7.97 times as on March 31, 2019.

The liquidity position of the firm stood comfortable marked by operating cycle of 22 days in FY19 as against 12 days in FY18. The current ratio and quick ratio of the firm stood at 2.46 times as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology- Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Firm

Sri Ganganagar (Rajasthan) based M/s Jallan Transport Company (JTC) was formed in 1998 by Mr. Gouri Shanker Bansal as a proprietorship concern. JTC is mainly engaged in the business of handling and transportation of agro commodities for Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and Rajasthan State Warehousing Corporation (RSWC). The firm mainly transports in overall Rajasthan and Haryana where it hires trucks from other dealers for transportation of agro commodities.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	21.74	32.66
PBILDT	2.06	1.89
PAT	1.84	1.64
Overall gearing (times)	0.07	0.22
Interest coverage (times)	10.51	7.97

(A: Audited)

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	1.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	13.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	1.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	1)CARE BB; Stable (03-Apr-19)	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	13.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (03-Apr-19)	-	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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