

Jallan Transport Company

April 03, 2019

Rating			
Facilities	Amount (Rs. crore)	Ratings ¹	Remark
Long term bank facilities	1.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short term bank facilities	13.00	CARE A4 (A Four)	Assigned
Total facilities	14.00 (Rs. Fourteen crore only)		

Detailed Rationale & Key rating Drivers

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.

The ability of the firm to increase in scale of operations while maintaining operating margin better management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

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.21.74 crore and Rs.1.84 crore respectively in FY18. TOI of the firm has decreased by 13.48% over FY17 mainly on account of decrease in income of transportation from agro commodities.

Till December 31, 2018 the firm has achieved the turnover of Rs.25.00 crore.

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.

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

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

Warehousing Corporation (RSWC) and other departments of state Government and thus receives repetitive orders from the departments.

Comfortable Profitability Margins

The profitability margins of JTC stood comfortable with PBILDT and PAT margin of 9.47% and 8.48% respectively in FY18 as against 6.02% and 5.02% respectively in FY17. With increase in PBILDT margin, PAT margin has also improved by 346 bps over FY17. With increase in PAT level, GCA of the firm has increased by 44.87% over FY17 and stood at Rs.1.86 crore in FY18.

Comfortable solvency position and comfortable liquidity position

The capital structure of the firm stood comfortable with an overall gearing of 0.07 times as on March 31, 2018, marginally improved from 0.10 times as on March 31, 2017. Further, the debt coverage indicators remained comfortable marked by total debt to gross cash accruals of 0.38 times as on March 31, 2018 and interest coverage stood at 10.51 times in FY18. The liquidity position of the firm stood comfortable marked by maximum utilization of 60% of its working capital bank borrowings and 80% of its bank guarantee during last twelve months ended January, 2019. The current ratio and quick ratio stood comfortable at 15.44 times as on March 31, 2018.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing 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)	FY17(A)	FY18(A)
Total operating income	25.13	21.74
PBILDT	1.51	2.06
PAT	1.26	1.84
Overall gearing (times)	0.10	0.07
Interest coverage (times)	6.66	10.51

(A; Audited)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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

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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Non-fund-based - ST-Bank Guarantees	-	-	-	13.00	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	1.00	CARE BB; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	13.00	CARE A4	-	-	-	-

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