

K M Trans Logistics Private Limited

April 03, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	43.00	CARE BB; Stable: ISSUER NOT COOPERATING* (Double B; Outlook: Stable: ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	6.80	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) on the basis of best available information
Total Facilities	49.80 (Rs. Forty nine crore eighty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from K M Trans Logistics Private Limited (KMPL) to monitor the ratings vide e-mail communications dated January 08, 2020, February 14, 2020, March 23, 2020, letter dated March 25, 2020 and numerous phone calls. However, despite our repeated requests, the company 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, KMPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KMPL's bank facilities will now be denoted as **CARE BB; Stable/ 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 ratings.

The ratings have been revised on account of decline in operating profitability and overall cash accruals in FY19 as compared with FY18 along with non-availability of operational data for FY19 as well as for 9MFY20.

Detailed description of the key rating drivers

At the time of last rating on March 29, 2019 the following were the rating strengths and weaknesses (updated for the information available from company in Annual report of FY19)

Key Rating Weaknesses

Leveraged capital structure: KMT regularly upgrades its fleet as well as increases its fleet size in order to cater to growing demand and the same can be observed from the low average age of KMT's trailers as on March 31, 2018. Capital structure stood highly leveraged with overall gearing of 7.32 times as on March 31, 2019 though the same improved from 9.62 times as on March 31, 2018.

Sector and client concentration risk: The revenue concentration is highly skewed towards the automobile sector which constituted around 86% of TOI in FY18 though the same declined from around 88% in FY17. KMT's top five clients constituted around 76% of TOI during FY18 as against 77% in FY17.

Highly competitive nature of transportation and logistics business: 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 for KMT 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. Further, 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.

Liquidity: The current ratio continued to remain below unity as on March 31, 2018 due to high loan installment due for repayment. The average utilization of fund based cash credit limit stood around 76% during past 12 months ended February 2019. The company has cash and bank balance of Rs.1.26 crore as on March 31, 2018. Furthermore, the company expects cash accruals of Rs.71-72 crore and has received sales proceeds (from sale of old trailers) of around Rs.6-7 crore (net of profit from sale) as against debt repayments of around Rs.74.27 crore during FY19.

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

*Issuer did not cooperate; Based on best available information

Key rating strengths

Experienced promoter: Both the directors, Mr Kamal Kumar Chandwar and Mr Prabha Chand Chandwar, have experience of more than three decades in the field of transportation business. Though the management board consists of Chandwar family members only, the management follows professional approach in their business decisions and has in place a professionally qualified team to look after operations of the company.

Established operations in road transportation: KMT started with the business of transporting LPG Bulk and it further ventured in the business of transporting LPG Packed Cylinders in 1990. During 1995, the company entered into automobile transportation and in 2006, entered in transportation of steel and other metals.

The operations of the company are well diversified across the country. The company has branch offices at 29 locations and 75 supporting solutions covering 16 states in the country as on March 31, 2018 to facilitate quick service to the clients.

Growth in total operating income along with moderate operating margin and profit at net level: KMT's total operating income (TOI) grew by around 2.24% on y-o-y basis to Rs.491.96 crore in FY19. Furthermore, the PBILDT margin of the company declined by 253 bps on y-o-y basis to 16.81% in FY19 on account of high power and fuel cost. The net profit margin stood low around 0.84% in FY19; though the same has improved from 0.49% in FY18 due to lower interest cost.

Moderate debt coverage indicators: Debt coverage indicators improved with PBILDT interest coverage of 4.55 times in FY19 and total debt to GCA of 3.09 times as on March 31, 2019 on account of healthy cash accruals.

Reputed clientele: Being present in the industry since long; KMT has developed long standing relationships with majority of clients which helps in generating repeat business. KMT has been dealing with all major and reputed automobile manufacturers and few of the steel manufacturers in India.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook 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 Company

KMT was promoted by Jaipur-based; Mr Kamal Kumar Chandwar and Mr Prabha Chand Chandwar in 1988. The name of the company was changed to its current form w.e.f. April 3, 2012. KMT offers logistics services to all major automobile manufacturers and steel manufacturers in India. KMT owns a fleet size of around 1273 vehicles as on March 31, 2018.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	481.18	491.96
PBILDT	93.09	82.71
PAT	2.36	4.11
Overall gearing (times)	9.62	7.32
Interest coverage (times)	4.37	4.55

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

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	-	-	-	37.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information
Fund-based - ST-Bank Overdraft	-	-	-	4.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information
Fund-based - LT-Working capital Term Loan	-	-	March 2024	6.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information

*Issuer did not cooperate; 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	37.00	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 (29-Mar-19)	1)CARE BB+; Stable (15-Mar-18)	1)CARE BB+; Stable (14-Mar-17)
2.	Non-fund-based - ST-BG/LC	ST	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	-	1)CARE A4+ (29-Mar-19)	1)CARE A4+ (15-Mar-18)	1)CARE A4+ (14-Mar-17)
3.	Fund-based - ST-Bank Overdraft	ST	4.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	-	1)CARE A4+ (29-Mar-19)	1)CARE A4+ (15-Mar-18)	1)CARE A4+ (14-Mar-17)
4.	Fund-based - LT-Working capital Term Loan	LT	6.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available	-	1)CARE BB+; Stable (29-Mar-19)	1)CARE BB+; Stable (15-Mar-18)	-

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**Issuer did not cooperate; Based on best available information*

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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